

# ***CITY OF LAKE FOREST CALIFORNIA***



***Comprehensive Annual Financial Report***

***Year Ended June 30, 2009***

**CITY OF LAKE FOREST, CALIFORNIA**

Comprehensive Annual Financial Report

Year Ended June 30, 2009

Prepared by:

Financial Department

Elizabeth E. Andrew

Director of Finance/City Treasurer

**CITY OF LAKE FOREST**  
Comprehensive Annual Financial Report  
Year Ended June 30, 2009

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## Comprehensive Annual Financial Report

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# CITY OF LAKE FOREST

## Comprehensive Annual Financial Report

Year Ended June 30, 2009

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Mayor  
Mark Tetterer

Mayor Pro Tem  
Peter Herzog

Council Members  
Richard Dixon  
Kathryn McCullough  
Marcia Rudolph

City Manager  
Robert C. Dunek

December 21, 2009

Honorable Mayor, Members of the City Council and Citizens:

The Comprehensive Annual Financial Report of the City of Lake Forest for the Fiscal Year ended June 30, 2009, is submitted herewith. This report was prepared by the auditors and the Finance Department and it complies with the financial reporting model outlined in the Governmental Accounting Standards Board (GASB) Statement 34.

Consistent with GASB Statement 34, this report includes the City's government-wide financial statements and fund financial statements. The government-wide financial statements, which were new with GASB Statement 34, include two statements. The first is a Statement of Net Assets that provides the total net equity of the City, including infrastructure. The second is the Statement of Activities that shows the cost of providing government services. Both of these statements have been prepared using the accrual basis of accounting, used by most businesses, as compared to the modified accrual method used in fund financial statements (the traditional governmental financial reports). A reconciliation report is provided as a key to understanding the differences between the two reporting methods.

In addition, the reporting model includes an emphasis on the City's major funds as shown in the Governmental Fund Statements. The statements, combined with other information, are further analyzed in a narrative called Management's Discussion and Analysis (MDA). The MDA provides "financial highlights" and interprets the financial reports by analyzing trends and by explaining changes, fluctuations and variances in the financial data. In addition, the MDA is intended to disclose any known significant events or decisions that affect the financial condition of the City. The MDA can be found on pages 3-12.

The independent audit of the financial statements of the City of Lake Forest was completed. For Fiscal Year 2008-09, the auditors were required to perform a federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies, as total federal grant expenditures exceeded \$500,000. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. When required, these reports are available in the City's separately issued Single Audit Report, which can be obtained at City Hall.



In accordance with the above-mentioned guidelines, the accompanying report is presented in three sections:

<i>Introductory Section</i>	Letter of Transmittal, financial reporting award from the previous year, City organization chart, and list of City officials.
<i>Financial Section</i>	Independent auditors' report, basic financial statements including the MDA, and individual funds for which data is not provided separately within basic financial statements.
<i>Statistical Section</i>	Pertinent financial and non-financial data which presents historical trends and other information about the City for applicable years up to the last ten years.

## **GENERAL INFORMATION ABOUT LAKE FOREST**

Lake Forest is located in southern Orange County, California, in the area commonly referred to as the Saddleback Valley, occupying a land area of 17 square miles with a current population of 78,344. It is the County's 31<sup>st</sup> city and the 2<sup>nd</sup> largest city within the Saddleback Valley. The City incorporated on December 20, 1991.

The City operates as a "contract city," primarily utilizing agreements with other governmental entities and private firms to provide traditional municipal services to the community. The City provides general government, development, redevelopment, economic development, public works, recreation, and police services; and "contracts out," with either private firms or public agencies, about 53% of the operating budget. The County continues to provide library services, independent of the City. Fire services are provided by a joint powers authority, of which Lake Forest is a member. Lake Forest operates under the council/manager form of government, and is governed by a five-member city council, elected at large.

## **ECONOMIC CONDITION AND OUTLOOK**

The economic condition of the City of Lake Forest has continued to be in a negative trend due to the ongoing severe distress in the real estate and financial markets. While certain areas of the economy have stabilized somewhat, risks within the markets remain. Positive factors offsetting this situation have been the diversified nature of the City's tax base, fully funded reserves, and the newer shopping centers along the recently improved El Toro Road corridor.

Revenues in Fiscal Year 2008-09 declined noticeably as a result of the state of the economy. The largest declines occurred in taxes and investment income, while smaller declines were noted in other revenue categories. General Fund revenues in Fiscal Year 2009-10 are expected to decline as has been reflected in the Operating Budget and further reductions of revenues will be required in the Mid-Year Budget Review. Additional expenditure cuts will be proposed to reduce any resulting deficit between revenues and expenditures. In addition, all reserves per the City's policy will continue to be fully funded for the immediately foreseeable future. Based on historical trends and future projections, Lake Forest should return to a steady financial course once the current economic situation stabilizes.

## **MAJOR INITIATIVES**

### For the Year Ended June 30, 2009

1. Completed Phase III and initiated Phase IV of the Opportunities Study for the land impacted by the former MCAS El Toro.
2. Implemented a new automated meeting agenda system which enables public online access to agendas and reports.
3. Continued coordination of efforts to aid in the redevelopment of shopping centers along the recently improved El Toro Road.
4. Received high satisfaction rates in a survey from residents (92%) and businesses (87%).
5. Completed a comprehensive update of the Five-Year Strategic Business Plan.

### For the Future

1. Continue Phase IV of the Opportunities Study, focusing on planning efforts for a sports park, recreation center, meeting facility, and civic center.
2. Continue the process to eliminate the current gap in Alton Parkway in coordination with the County of Orange and private property owner.
3. Continue to coordinate efforts to aid in the redevelopment of shopping centers along the recently improved El Toro Road.
4. Begin implementation of the Revitalization Action Plan in the Light Industrial Area.
5. Continue implementation of the Five-Year Parks and Recreation Master Plan.

## **FISCAL POLICIES AND PROCEDURES**

### Internal Control Structure

Management of the City is responsible for establishing and maintaining an adequate internal control structure. Internal accounting controls are designed to ensure that the assets of the City are protected from loss, theft or misuse, and that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits require estimates and judgment by management.

We believe the City's internal control structure adequately safeguards assets and provides reasonable assurance of proper recording of financial transactions. Because of inherent limitations in any internal control structure, errors or irregularities nevertheless may occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or the degree of compliance with the procedures may deteriorate.



### Budgetary Controls

The annual budget serves as the foundation for the City of Lake Forest's financial planning and control. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the City Council. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary controls.

The budget process for the City of Lake Forest begins in January with distribution of budget forms to departments. Budget requests are returned to the Finance Department in February. The City Manager reviews the department budgets in March and requested revisions are completed in April. The proposed budget is delivered to City Council and a workshop is held in May. The final budget is adopted at a City Council meeting in June.

### Cash Management

The Director of Finance/City Treasurer invests funds in accordance with the California Government Code and an investment policy adopted by the City Council. During the fiscal year, funds were invested in U. S. Treasuries, U. S. Government Agency securities, a money market mutual fund, a government investment pool (California Asset Management Program), and the State of California Local Agency Investment Fund. Monthly reports are submitted by the Director of Finance/City Treasurer to the City Council. Additionally, each quarter the City Council receives a report from an independent investment oversight reviewer.

Maturities of the investments range from 15 days to just over 1.1 years, with an average maturity of just over 2.4 months. Investment interest totaled \$2.5 million, excluding unrealized activity for fiscal year ended June 30, 2009, or 5.5% percent of the total City revenues.

### Debt Administration

The Rancho Cañada Financing Authority issued \$9,505,000 in Certificates of Participation in 2004 to provide the City's share of the El Toro Road Traffic and Landscape Improvement Project. Outstanding principal on the certificates totaled \$8,545,000 as of June 30, 2009.

### Risk Management

The City is a member of the California Joint Powers Insurance Authority (CJPIA), a consortium of 122 California public entities, which is a risk-sharing, self-funded pool providing insurance-like benefits for general and auto liability claims to its members. Insurance activities are financed by charges to member cities and no long-term debt has been incurred. Annual premiums are determined using a retrospective method, with the City liable for the first \$30,000 of costs for its own claims, and a proportionate share of claim costs in excess of \$30,000 up to \$5 million for its own and other member claims. The CJPIA purchases excess insurance for claims over \$5 million, up to \$45 million.

The City is covered for Workers' Compensation and employer's liability exposures through the CJPIA. Annual costs are determined using a retrospective method, with the City responsible for the first \$50,000 of costs for its own claims and a proportionate share of claim costs in excess of \$50,000 up to \$2 million for its own and other member claims. Any claim from \$2 million to \$5 million is covered by excess insurance.

## OTHER INFORMATION

### Independent Audit

It is the policy of the City of Lake Forest to have an audit performed annually by an independent certified public accountant. The independent audit of the June 30, 2009 financial statements was performed by Mayer Hoffman McCann P.C. Their opinion on the basic financial statements, combining and individual funds statements is included in the financial section of this report.

### Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Lake Forest for its Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2008. The Certificate of Achievement is a national award recognizing conformance with the highest standards for preparation of state and local government financial reports. In order to be awarded a certificate of achievement, a government unit must publish an easily readable and efficiently organized CAFR, which contents conform to program standards. Such CAFR must satisfy both generally accepted accounting principles and applicable legal requirements.

A certificate of achievement is valid for a period of one year only. Lake Forest has received a Certificate of Achievement each year since Fiscal Year 1992-93 (the first fiscal year following incorporation). Staff believes that the City's current report continues to conform to the certificate of achievement program requirements and is submitting it to GFOA.

### Responsibility

The responsibility for the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of my knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to fairly present the financial position and results of operation of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

### Acknowledgments

The preparation and development of this report would not have been possible without the special efforts of the entire Finance Department staff and the auditors. I would like to take this opportunity to compliment and express my gratitude to all of those staff members of both the City and our independent auditors who were associated with the preparation of this report.

In closing, without the leadership and support of the City Council, preparation of this report would not have been possible.

Sincerely,



Elizabeth E. Andrew  
Director of Finance/City Treasurer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lake Forest  
California

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



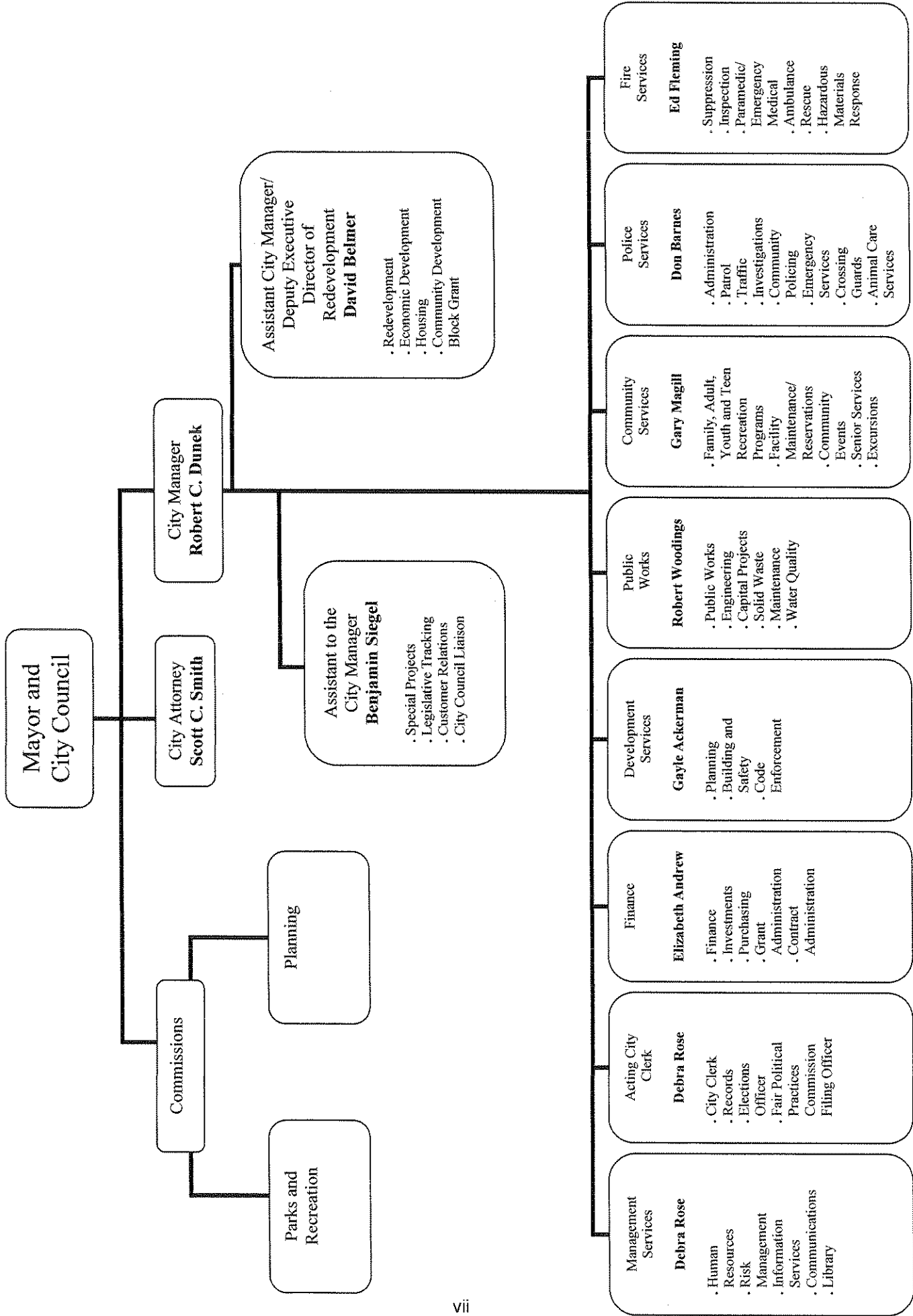
A handwritten signature in black ink, appearing to read "M. L. R.", is written above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", is written above the title "Executive Director".

Executive Director

# ORGANIZATIONAL CHART



# ***City of Lake Forest***

## ***City Officials***

### ***City Council***

*Mark Tettemer, Mayor*

*Peter Herzog, Mayor Pro Tem*

*Richard Dixon, Council Member*

*Kathryn McCullough, Council Member*

*Marcia Rudolph, Council Member*

### ***City Manager***

*Robert C. Dunek*

### ***Administrative Staff***

*Gayle Ackerman, Director of Development Services*

*Elizabeth E. Andrew, Director of Finance/City Treasurer*

*Lt. Don Barnes, Chief of Police Services*

*David Belmer, Assistant City Manager/Deputy Executive Director of Redevelopment*

*Ed Fleming, Division Chief – Fire Services*

*Gary Magill, Director of Community Services*

*Debra Rose, Director of Management Services*

*Benjamin Siegel, Assistant to the City Manager*

*Scott C. Smith, City Attorney*

*Debra Rose, Acting City Clerk*

*Robert Woodings, Director of Public Works/City Engineer*

***Prepared by the Finance Department***



Mayer Hoffman McCann P.C.

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Honorable Major and City Council  
City of Lake Forest, California

### **INDEPENDENT AUDITORS' REPORT**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest, California, as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the management of the City of Lake Forest. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the financial statements of the City of Lake Forest for the year ended June 30, 2008 and, in our report dated December 23, 2008, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the City of Lake Forest, California, as of June 30, 2009, and the respective changes in financial position, cash flows, where applicable, and the budgetary comparison statements of the General Fund and major Special Revenue Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The information identified in the accompanying table of contents as *management's discussion and analysis* is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Honorable Major and City Council  
City of Lake Forest, California  
Page Two

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual non-major fund financial statements, budgetary comparison schedules, and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non-major fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 21, 2009 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Mayer Hoffman McCann P.C.*

Irvine, California  
December 21, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Lake Forest ("City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the Fiscal Year ended June 30, 2009. It is encouraged that the readers consider the information presented here in conjunction with additional information that has been furnished in the letter of transmittal and the accompanying basic financial statements.

### **Financial Highlights**

#### **Government-Wide**

- Assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$279.6 million (net assets). Of this amount, \$101.7 million (unrestricted net assets) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$0.4 million. This decrease is attributable to expenses being in excess of revenues due to a decline of revenues from the previous year resulting from the ongoing recession.
- Total revenues from all sources were \$43.9 million as compared to the cost for all City programs of \$44.3 million. Further discussion of revenues and expenses is included in the Government-wide Financial Analysis section.

#### **Fund Based**

- Total governmental fund balances were \$107.6 million and reserved balances were \$2.4 million, resulting in unreserved balances of \$105.2 million. Designations of fund balances, such as amounts set aside per the Reserve Policy and carryover appropriations, totaled \$31.5 million. Total unreserved, undesignated balances were \$73.7 million.
- Total governmental fund balances increased \$0.6 million. This increase is attributable to a slightly favorable variance of revenues as compared to expenditures.
- Total governmental revenues from all sources were \$45.1 million as compared to expenditures of \$44.5 million. Further discussion of revenues and expenditures is included in the Financial Analysis of the Government's Funds section.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

*Government-wide financial statements.* These statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. In time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.



**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

The *statement of activities* presents information on how the City's net assets changed during the fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods; (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements include not only the City itself (known as the primary government), but also the legally-separate Lake Forest Redevelopment Agency (Agency) and the Rancho Cañada Financing Authority (Authority) for which the City is financially accountable. Financial information for the Agency (a component unit) is reported separately from the financial information presented for the primary government itself. The Authority is presented as a non-major fund. The Agency and Authority function for all practical purposes as departments of the City, and, therefore, have been included as an integral part of the primary government. The City does not account for any of its services on a business-type activity basis.

*Fund financial statements.* A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

*Governmental funds.* Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and government-wide activities.

The City maintains fifteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Gas Tax, Community Development Block Grant, and Redevelopment Agency Debt Service Funds, which are all considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for all governmental funds. A budgetary comparison statement has been provided for each of the funds with appropriated budgets to demonstrate compliance with these budgets.

*Proprietary funds.* The City of Lake Forest maintains one type of proprietary fund – an internal service fund. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City maintains one internal service fund

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

to account for the replacement of its fleet of vehicles. Because these services predominantly benefit the governmental function, they have been included within governmental activities in the government-wide financial statements.

*Fiduciary funds.* Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

*Notes to the financial statements.* The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information.

**Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$279.6 million at the close of the most recent fiscal year. By far, the largest portion of the City's net assets (61%) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery and equipment). There is \$9 million in debt outstanding related to the acquisition or construction of these capital assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

**Table 1**  
**Net Assets**  
(in millions)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Current and other assets	\$117.3	\$115.9
Capital assets	<u>179.2</u>	<u>160.6</u>
Total assets	<u>\$296.5</u>	<u>\$276.5</u>
Other liabilities	\$7.9	\$7.4
Long-term debt outstanding	<u>9.0</u>	<u>9.1</u>
Total liabilities	<u>\$16.9</u>	<u>\$ 16.5</u>
Net assets:		
Invested in capital assets, net of debt	\$170.9	\$152.0
Restricted	7.0	7.9
Unrestricted	<u>101.7</u>	<u>100.1</u>
Total net assets	<u>\$279.6</u>	<u>\$260.0</u>

An additional portion of the City's net assets (2%) represents resources that are subject to external restrictions in how they may be used. The remaining balance of \$101.7 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net assets decreased by \$0.4 million during the current fiscal year. Key elements of this decrease are as follows:

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Total revenues were \$43.7 million as compared to prior year revenues of \$49.5 million and major contributing revenue variations from the prior year are described below.

- Charges for services decreased by \$0.6 million, primarily due to lower developer fees related to a rezoning project in which four of the five property owners completed developer agreements in the beginning of the year.
- Capital contributions and grants decreased by \$1 million due to the timing of grant revenues related to capital improvement projects.
- Tax increment increased by \$0.7 million due to the previously healthy real estate market that resulted in higher assessed valuations of property and the ongoing redevelopment of El Toro Road shopping centers. The Agency receives tax increment one year in arrears from the County of Orange, thus revenues were based on Fiscal Year 2007-08 activity.
- Sales and transient occupancy taxes decreased by \$1.2 million and \$0.6 million, respectively, due to the ongoing recession and its negative effect on revenues.
- Investment earnings decreased by \$2.7 million in response to rapid declines in interest rates that occurred during the year in response to the financial crisis in late 2008.

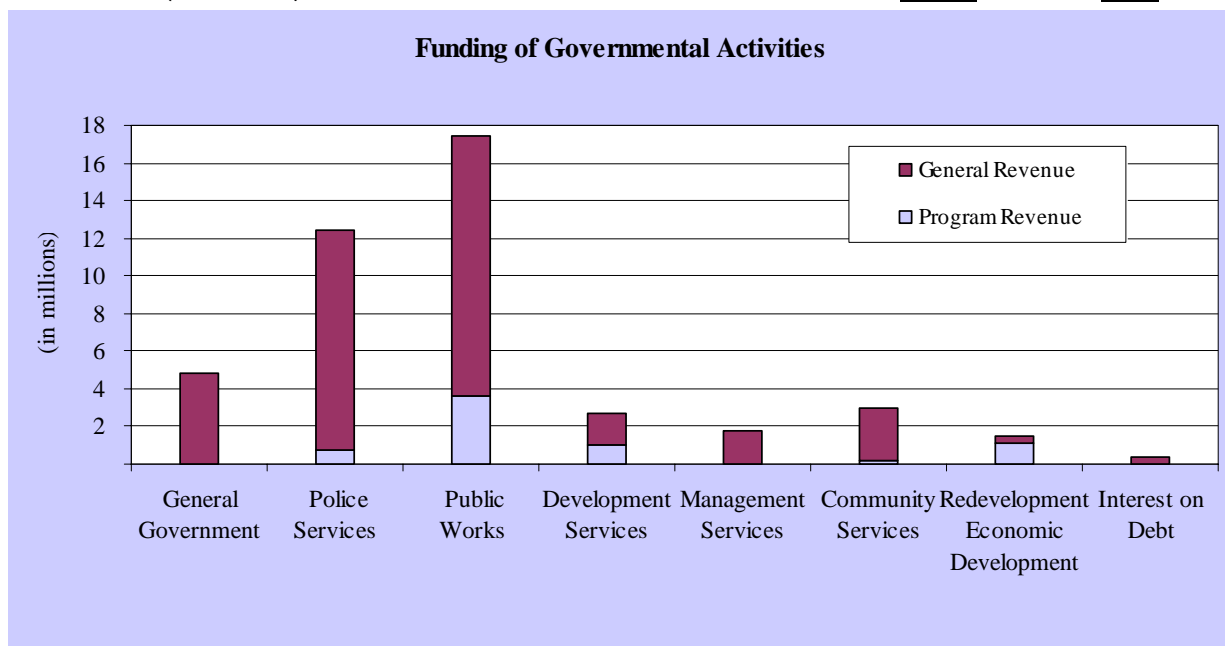
Total costs for all City programs were \$44.3 million as compared to prior year costs of \$43.1 million and material variances from the prior year are described below.

- General Government costs increased by \$0.6 million mostly due to additional legal costs and Finance Department temporary personnel costs. Other smaller variances in this category occurred in the City Council, City Manager, and City Clerk Departments.
- Development Services costs decreased \$0.3 million as a result of the City entering into Developer Agreements with four of five property owners in the Opportunities Study Area in the beginning of the year. Thus, costs related to this rezoning project were lower than in prior years, with only one property owner remaining.
- Management Services costs increased \$0.4 million primarily due to a grant of video equipment to a high school in the City and the expansion of information technology programs.
- Community Services costs increased \$0.3 million due to the ongoing expansion of recreation programs.
- Redevelopment and Economic Development costs increased \$0.5 million as a result of a new loan program and other smaller fluctuations within the department's divisions and accounts.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

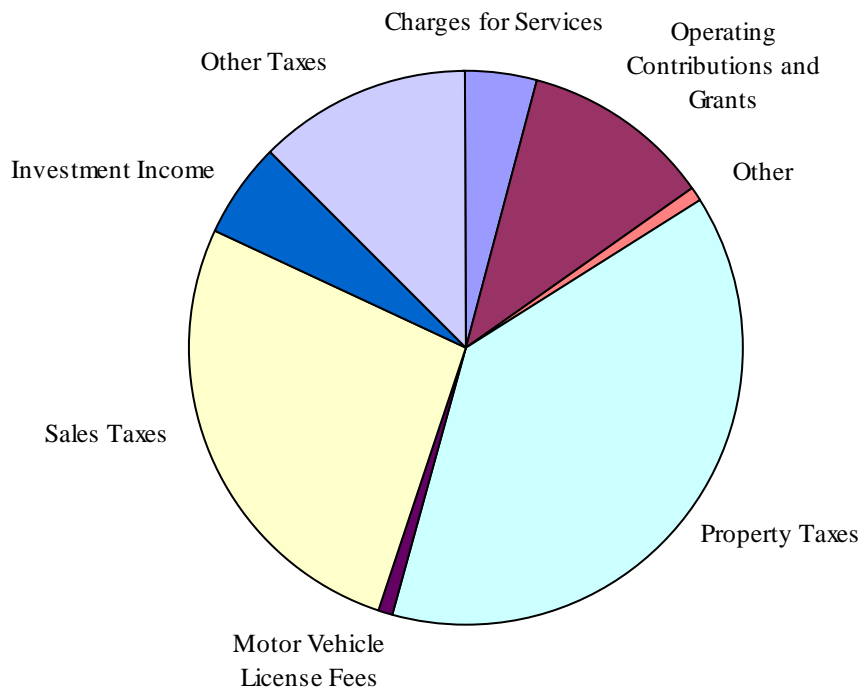
**Table 2**  
**Changes in Net Assets**  
**(in millions)**

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Revenues:		
Program revenues:		
Charges for services	\$1.9	\$2.5
Operating contributions and grants	4.9	4.8
Capital contributions and grants		1.1
General revenues:		
Taxes:		
Property taxes	17.0	16.1
Transient occupancy taxes	2.2	2.8
Sales taxes	12.5	13.7
Franchise taxes	2.4	2.3
Motor vehicle in-lieu tax	0.3	0.3
Investment income	2.4	5.1
Other	<u>0.3</u>	<u>0.8</u>
Total revenues	<u>\$43.9</u>	<u>\$49.5</u>
Expenses:		
General government	\$4.8	\$4.2
Public safety	12.7	12.5
Public works	17.4	17.9
Development services	2.7	3.0
Management services	1.8	1.4
Community services	3.0	2.7
Redevelopment/economic development	1.5	1.0
Interest on long-term debt	<u>0.4</u>	<u>0.4</u>
Total expenses	<u>\$44.3</u>	<u>\$43.1</u>
Increase (decrease) in net assets	<u>(\$0.4)</u>	<u>\$6.4</u>



**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Revenues by Source - Governmental Activities**



**Financial Analysis of the Government's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

*Governmental funds.* The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$107.6 million, an increase of \$0.6 million in comparison with the prior year. Of this amount, \$105.2 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City has designated \$31.5 million of the \$105.2 million in unreserved fund balance for a variety of purposes. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to liquidate contracts and purchase orders of the prior period (\$0.7 million) and 2) for a variety of other restricted purposes (\$1.7 million).

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the General Fund was \$96.3 million, while total fund balance reached \$98.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund operating expenditures. Unreserved fund balance represents 277% of total General Fund expenditures, while total fund balance represents 283% of that same amount.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

Fund balance in the City's General Fund increased \$0.2 million during the current fiscal year. Key factors in this increase are as follows:

- Revenues decreased from a year ago by \$9.3 million. Taxes decreased by \$3 million, primarily attributable to declining sales and transient occupancy taxes due to the ongoing recession. Intergovernmental revenues decreased by \$3 million mostly due to the timing of grant revenues for the El Toro Traffic and Landscape Improvement Project. Investment income decreased by \$2.6 million from the financial crisis in late 2008 and resulting rapid declines in interest rates. The remaining portion is related to smaller variances in various other revenue accounts.
- Expenditures decreased by \$0.8 million. Capital outlay costs decreased by \$2.5 million primarily due to a greater number of repaving projects undertaken during the prior year. This decrease was offset by increases in certain departments as follows. General government costs increased by \$0.6 million due to additional legal costs and temporary personnel costs in the Finance Department. Other smaller variances in this category occurred in the City Council, City Manager, and City Clerk Departments. Public Safety costs increased \$0.4 million pursuant to the County of Orange contract for law enforcement personnel. Management Services costs increased \$0.3 million primarily due to a grant of video equipment to a high school in the City and the expansion of information technology programs. Community Services costs increased \$0.2 million due to the ongoing expansion of recreation programs. The remaining portion is related to smaller variances in various expenditure accounts in other departments.

The City has three other major funds, the Gas Tax, Community Development Block Grant, and Redevelopment Agency Debt Service Funds.

The Gas Tax Fund, which is composed of funds that can only be used for street related expenditures, ended the year with a decrease in fund balance of \$1.4 million. Revenues decreased from a year ago by \$0.7 million, primarily due to the receipt of Proposition 1B funds in the prior year and lower gas taxes resulting from the recession. Expenditures increased by \$1.4 million, mostly attributable to construction of a repaving project utilizing Proposition 1B funds received in the prior year.

The Community Development Block Grant Fund, which is composed of funds that can only be used for federally approved grant expenditures, ended the year with an increase in fund balance of \$1,674. Revenues increased from a year ago by \$0.9 million, primarily due to reimbursements related to capital projects undertaken during the year (a universally accessible playground and street access ramps) offset by a prior year sale of property. Expenditures increased by \$0.5 million, mostly attributable to construction of the above noted capital projects.

The Redevelopment Agency Debt Service Fund ended the year with an increase in fund balance of \$1.5 million. This increase was primarily due to higher tax increment revenues related to the previously healthy real estate market and redevelopment of shopping centers along El Toro Road. The Agency receives tax increment revenues from the County of Orange one year in arrears, thus revenues were not as affected by the ongoing recession in the current year. Expenditures and inter-fund transfers were consistent with the prior year.

*Proprietary funds.* The internal service vehicle replacement fund net assets amounted to \$0.5 million at June 30, 2009. Of this amount, \$0.3 million is reported as unrestricted and net assets invested in capital assets amounted to \$0.2 million.

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**General Fund Budgetary Highlights**

Revenues

The difference between original and final amended budgeted revenues was a decrease of \$0.8 million. This difference was attributable to mid-year budget reductions of \$1.7 million offset by carryovers of \$0.9 million. Notable revenue reductions were made to sales taxes, transient occupancy taxes, motor vehicle in lieu fees, and plan check fees pursuant to the financial crisis in the end of 2008 and the resulting economic decline. Carryover revenues were mostly related to unearned and unreceived grants from the prior year.

Total revenues were lower than budgeted amounts by \$0.6 million. Taxes exceeded the budget by \$0.6 million, mostly due to higher property and transient occupancy taxes when compared to the conservative mid-year budget reductions. Intergovernmental revenues were less than the budget by \$0.7 million primarily due to outstanding grant receipts that were to be carried over into the next fiscal year. Investment income was less than the budget by \$0.6 million as a result of the financial crisis in the end of 2008 and subsequent rapid declines in interest rates which were greater than anticipated. The remaining budget variance is related to smaller variances in other revenue categories.

As of June 30, 2009, none of the variances noted above were expected to significantly impact future government services or liquidity. The ongoing recession has negatively impacted the City's revenues, but this is mitigated by conservative financial management and fully funded reserves.

Expenditures

The difference between original and final amended budgeted expenditures was \$13.2 million. This difference was mostly due to \$12.6 million in carryover appropriations of operating and capital projects that were not completed in Fiscal Year 2007-08. The remaining difference of \$0.6 million was primarily attributable to mid-year budget adjustments made to the operating and capital budgets based on activity through December 2008. These adjustments increased and decreased budgeted allocations in operating departments and adjusted certain capital projects.

Total expenditures were under budgeted amounts by \$18.5 million. Development Services costs were under the budget by \$0.4 million primarily due to planning projects not yet completed and thus, carried over into the next fiscal year. Management Services costs were under the budget by \$0.3 million, mostly attributable to savings in information technology programs and equipment purchases. All other savings in this category were smaller and in a variety of accounts. Capital outlay costs were under budget by \$18.5 million primarily due to capital projects not yet completed and thus, carried over into the next fiscal year offset by several projects which were delayed and not carried over.

**Capital Assets**

The City's investment in capital assets for its governmental activities as of June 30, 2009, amounts to \$179.2 million net of accumulated depreciation and \$170.9 million net of related outstanding debt.

Major capital asset events during the current fiscal year included the following:

**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

- Costs in the construction in progress category increased \$1.9 million primarily related to work performed on streetscape, park play equipment replacement, and sports park projects.

**City of Lake Forest Capital Assets**  
(net of depreciation)  
(in millions)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Land	\$ 45.0	\$ 45.0
Machinery and equipment	0.7	0.6
Buildings and improvements	0.2	0.2
Construction in progress	3.1	1.2
Infrastructure:		
Streets	80.7	83.3
Curbs, gutters and sidewalks	27.9	28.7
Storm drain system	7.5	7.5
Traffic signal system	2.5	2.5
Medians	4.3	4.3
Park improvements	<u>7.3</u>	<u>7.3</u>
Total	<u>\$179.2</u>	<u>\$180.6</u>

Additional information on the City's capital assets can be found in Note 3 in the Financial Section of this report.

**Long-Term Debt**

At the end of the current fiscal year, the City had total long-term liabilities outstanding of \$9 million, a decrease of \$0.1 million from the prior fiscal year. Total long-term debt outstanding represents the issuance of Certificates of Participation for the City's share of the El Toro Road Traffic and Landscape Improvement Project and compensated absences. Principal and interest on the Certificates are due in bi-annual payments. Debt service began in June 2005 and the Certificates mature in 2033.

**City of Lake Forest - Outstanding Debt**

	<u>2009</u>	<u>2008</u>
2004 Certificates of Participation	\$8,545,000	\$8,760,000
Premium on Issue	45,497	47,341
Compensated Absences	<u>391,147</u>	<u>230,244</u>
Totals	<u>\$8,981,644</u>	<u>\$9,095,639</u>

Additional information on the City's long-term debt can be found in Note 5 in the Financial Section of this report.



**CITY OF LAKE FOREST  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2009**

**Economic Factors and Next Year's Budgets and Rates**

The June 30, 2009, unemployment rate for the City was 6.5% as compared to the rate of 2.7% one year ago. The City's rate compares favorably to the State's unemployment rate of 11.6% and the national average rate of 9.5%.

The City's Fiscal Year 2009-10 Operating Budget takes into account the historical trends of property, hotel, and sales taxes. Additionally, anticipated effects of the ongoing recession were factored into the projections. The Operating Budget will be fully reviewed at mid-year to assess any further negative effects to revenues resulting from the current economic situation.

General Fund operating expenditures have been projected to increase an average of from 1.5 to 3% per year for the next five years. The City's General Fund is balanced in the Operating Budget for Fiscal Year 2009-10 and all reserves are fully funded. Reductions to expenditures will be required if revenues decline further during the remainder of the fiscal year.

All of these factors were considered in preparing the City's Budget for Fiscal Year 2009-10.

**Requests for Information**

This financial report is designed to provide a general overview of the City of Lake Forest's finances for all those with an interest in the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Finance, City of Lake Forest, 25550 Commercentre Drive, Suite 100, Lake Forest, California 92630.

# CITY OF LAKE FOREST

## Statement of Net Assets

June 30, 2009

(With Comparative Totals For June 30, 2008)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
<b>Assets:</b>		
Cash and investments (note 2)	\$ 112,134,322	\$ 109,589,924
Receivables:		
Taxes	660,543	749,181
Accounts	109,071	46,273
Interest	444,839	883,502
Grants	353,949	874,402
Loans	1,074,522	924,005
Due from other governments	1,700,179	2,526,321
Prepaid items	499,440	50,990
Restricted cash and investments (note 2)	347	345
Unamortized bond issuance costs	293,709	305,616
Capital assets, undepreciated (note 3)	48,103,899	26,216,157
Capital assets, depreciated, net (note 3)	<u>131,153,591</u>	<u>134,407,243</u>
 Total assets	 <u>296,528,411</u>	 <u>276,573,959</u>
<b>Liabilities:</b>		
Accounts payable	4,775,371	5,696,254
Accrued salaries and benefits	218,913	204,706
Interest payable	27,089	13,983
Retentions payable		269,865
Unearned revenue	1,513,631	300,606
Deposits payable	1,426,747	986,408
Non-current liabilities - due within one year (note 5)	451,536	216,844
Non-current liabilities - due beyond one year (note 5)	<u>8,530,108</u>	<u>8,878,795</u>
 Total liabilities	 <u>16,943,395</u>	 <u>16,567,461</u>
<b>Net assets:</b>		
Invested in capital assets, net of related debt	170,898,743	151,991,756
Restricted for:		
Redevelopment /economic development	4,897,876	4,034,581
Public safety	11,197	10,930
Public works	1,480,864	3,310,512
Community services	575,643	561,913
Unrestricted	<u>101,720,693</u>	<u>100,096,806</u>
 Total net assets	 <u>\$ 279,585,016</u>	 <u>\$ 260,006,498</u>

See accompanying notes to basic financial statements.

# CITY OF LAKE FOREST

## Statement of Activities

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Program Revenues				Net (expense) revenue and changes in net assets	
	Expenses	Charges for Services	Operating Contributions and Grants	Capital Contributions and Grants	Governmental Activities	
					2009	2008
Governmental activities:						
General government	\$ 4,785,915	\$ 20,192			\$ (4,765,723)	\$ (4,194,810)
Public safety	12,732,649	560,612	\$ 194,096		(11,977,941)	(11,546,906)
Public works	17,401,277	120,296	3,506,668		(13,774,313)	(12,517,917)
Development services	2,735,908	1,031,280	3,211		(1,701,417)	(1,274,075)
Management services	1,837,806				(1,837,806)	(1,450,824)
Community services	2,963,331	177,438	37,302	\$ 13,730	(2,734,861)	(2,441,015)
Redevelopment/economic development	1,455,462		1,158,773		(296,689)	(1,006,979)
Interest on long term debt	387,717				(387,717)	(384,850)
Total governmental activities	<u>\$ 44,300,065</u>	<u>\$ 1,909,818</u>	<u>\$ 4,900,050</u>	<u>\$ 13,730</u>	<u>\$ (37,476,467)</u>	<u>\$ (34,817,376)</u>
General revenues:						
Taxes:						
Property tax, levied for general purpose					\$ 13,444,917	\$ 13,254,060
Property tax, redevelopment agency tax increment					3,600,406	2,896,929
Sales tax					12,482,010	13,676,717
Transient occupancy tax					2,227,264	2,813,764
Franchise tax					2,354,422	2,287,907
Motor vehicle license in lieu, unrestricted					266,153	346,806
Investment income					2,424,745	5,090,792
Gain on sale of capital assets						339,194
Other					251,533	490,451
Total general revenues					<u>37,051,450</u>	<u>41,196,620</u>
Change in net assets					(425,017)	6,379,244
Net assets at beginning of year, as restated (note 15)					<u>280,010,033</u>	<u>253,627,254</u>
Net assets, end of year					<u>\$279,585,016</u>	<u>\$ 260,006,498</u>

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**

Governmental Funds

Balance Sheet

June 30, 2009

(With Comparative Totals For June 30, 2008)

		<u>Special Revenue Funds</u>	
	General	Gas Tax	Community Development Block Grant
<u>Assets</u>			
Cash and investments	\$ 99,061,632	\$ 1,950,048	
Receivables:			
Taxes	660,543		
Accounts	42,889		\$ 39
Interest	444,839		
Grants	104,440		226,079
Loans			972,522
Due from other governments	1,517,817	157,878	
Due from other funds (note 4)	128,923		
Prepaid items	484,615		
Advance to other funds (note 4)	1,138,143		
Restricted cash and investments			
 Total assets	<u>\$ 103,583,841</u>	<u>\$ 2,107,926</u>	<u>\$ 1,198,640</u>
 <u>Liabilities and Fund Balances</u>			
Liabilities:			
Accounts payable	\$ 3,706,917	\$ 611,900	\$ 28,724
Accrued salaries and benefits	218,913		
Retentions payable			
Due to other funds (note 4)			89,355
Deferred revenue	393,980	1,119,651	972,522
Deposits	725,901		
Advance from other funds (note 4)			
 Total liabilities	<u>5,045,711</u>	<u>1,731,551</u>	<u>1,090,601</u>
 Fund balances (note 7) :			
Reserved for:			
Encumbrances	591,377	40,611	12,939
Debt service			
Prepaid items	484,615		
Advances to other funds	1,138,143		
Unreserved, reported in:			
General fund	96,323,995		
Special revenue funds		335,764	95,100
Capital projects funds			
Debt service funds			
 Total fund balances	<u>98,538,130</u>	<u>376,375</u>	<u>108,039</u>
 Total liabilities and fund balances	<u>\$ 103,583,841</u>	<u>\$ 2,107,926</u>	<u>\$ 1,198,640</u>

See accompanying notes to basic financial statements.

Debt Service Fund		Nonmajor Governmental Funds	Totals	
Redevelopment Agency			2009	2008
\$ 4,323,377	\$ 6,450,558		\$ 111,785,615	\$ 109,289,046
			660,543	749,181
4,552	61,591		109,071	33,187
			444,839	883,502
	23,430		353,949	874,402
	102,000		1,074,522	924,005
	24,484		1,700,179	2,526,321
			128,923	64,287
	14,825		499,440	50,990
			1,138,143	1,138,143
	347		347	345
<u>\$ 4,327,929</u>	<u>\$ 6,677,235</u>		<u>\$ 117,895,571</u>	<u>\$ 116,533,409</u>
	\$ 427,830	\$ 4,775,371	\$ 5,696,254	
		218,913	204,706	
			269,865	
	39,568	128,923	51,201	
	102,000	2,588,153	1,224,611	
	700,846	1,426,747	986,408	
<u>\$ 1,138,143</u>		<u>1,138,143</u>	<u>1,138,143</u>	
<u>1,138,143</u>	<u>1,270,244</u>	<u>10,276,250</u>	<u>9,571,188</u>	
	84,302	729,229	1,497,473	
	347	347	345	
	14,825	499,440	50,990	
		1,138,143	1,138,143	
		96,323,995	96,126,716	
	6,026,688	6,457,552	6,525,839	
	(719,171)	(719,171)	(50,336)	
<u>3,189,786</u>		<u>3,189,786</u>	<u>1,673,051</u>	
<u>3,189,786</u>	<u>5,406,991</u>	<u>107,619,321</u>	<u>106,962,221</u>	
<u>\$ 4,327,929</u>	<u>\$ 6,677,235</u>	<u>\$ 117,895,571</u>	<u>\$ 116,533,409</u>	

## CITY OF LAKE FOREST

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets

June 30, 2009

Fund balances of governmental funds	\$ 107,619,321
Amounts reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.	
Capital assets	248,409,384
Accumulated depreciation	(69,341,703)
Long-term loans receivable are not available to pay for current-period expenditures and, therefore are deferred in the funds.	1,074,522
Governmental funds report bond issuance costs as an expenditure when incurred. These costs are capitalized and amortized over the life of the bonds in the Statement of Net Assets. This amount represents the remaining costs to be amortized over the life of the bonds.	293,709
Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds. Long-term liabilities consist of the following:	
Compensated absences	(391,147)
Certificates of participation bonds payable	(8,545,000)
Unamortized premium on certificates of participation bonds	(45,497)
Interest expenditures are recognized in the governmental funds when due. Interest expense is recorded on the accrual basis in the government- wide financial statements, and therefore these statements reflect a liability for accrued interest payable.	(27,089)
Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement, to individual funds. The assets and liabilities of the internal service fund are included in the Statement of Net Assets.	<u>538,516</u>
Net assets of governmental activities	<u>\$ 279,585,016</u>

See accompanying notes to basic financial statements.

# CITY OF LAKE FOREST

## Governmental Funds

### Statement of Revenues, Expenditures and Changes in Fund Balances

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

		Special Revenue Funds	
	General	Gas Tax	Community Development Block Grant
Revenues:			
Taxes	\$ 30,508,613		
Licenses and permits	483,310		
Intergovernmental	604,114	\$ 1,976,007	\$ 944,273
Charges for services	812,609		
Fines and forfeitures	556,560		
Investment income	2,160,580	50,433	2,522
Other	214,037		63,983
Total revenues	<u>35,339,823</u>	<u>2,026,440</u>	<u>1,010,778</u>
Expenditures:			
Current:			
General government	4,478,145		
Public safety	12,633,494		
Public works	6,774,758	1,853,312	
Development services	2,548,905		100,000
Management services	1,746,164		
Community services	2,548,724		
Redevelopment/economic development	288,151		315,739
Capital outlay	3,757,723	1,594,572	593,365
Debt service:			
Principal payments			
Interest and fiscal charges			
Pass-through payments			
Total expenditures	<u>34,776,064</u>	<u>3,447,884</u>	<u>1,009,104</u>
Excess (deficiency) of revenues over (under) expenditures	<u>563,759</u>	<u>(1,421,444)</u>	<u>1,674</u>
Other financing sources (uses):			
Transfers in (note 4)	5,228		
Transfers out (note 4)	(325,751)		
Sale of capital assets			
Total other financing sources (uses)	<u>(320,523)</u>		
Net change in fund balances	243,236	(1,421,444)	1,674
Fund balances, beginning of year	<u>98,294,894</u>	<u>1,797,819</u>	<u>106,365</u>
Fund balances, end of year	<u>\$ 98,538,130</u>	<u>\$ 376,375</u>	<u>\$ 108,039</u>

See accompanying notes to basic financial statements.

<u>Debt Service Fund</u>			
<u>Redevelopment Agency</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>	
		<u>2009</u>	<u>2008</u>
\$ 4,162,842	\$ 923,613	\$ 35,595,068	\$ 37,844,313
		483,310	505,260
	1,274,012	4,798,406	7,922,679
	51,258	863,867	1,441,696
		556,560	565,983
169,984	150,765	2,534,284	5,317,333
	63,961	341,981	553,073
<u>4,332,826</u>	<u>2,463,609</u>	<u>45,173,476</u>	<u>54,150,337</u>
	110,189	4,588,334	3,927,372
	75,843	12,709,337	12,418,604
		8,628,070	8,456,483
	28,327	2,677,232	3,009,043
		1,746,164	1,415,093
	398,817	2,947,541	2,673,017
	851,572	1,455,462	1,159,575
	1,752,979	7,698,639	8,442,215
	215,000	215,000	210,000
30,090	334,458	364,548	389,260
<u>1,486,049</u>		<u>1,486,049</u>	<u>1,381,494</u>
<u>1,516,139</u>	<u>3,767,185</u>	<u>44,516,376</u>	<u>43,482,156</u>
<u>2,816,687</u>	<u>(1,303,576)</u>	<u>657,100</u>	<u>10,668,181</u>
	1,625,703	1,630,931	1,442,832
(1,299,952)	(5,228)	(1,630,931)	(1,442,832)
			326,000
<u>(1,299,952)</u>	<u>1,620,475</u>		<u>326,000</u>
1,516,735	316,899	657,100	10,994,181
<u>1,673,051</u>	<u>5,090,092</u>	<u>106,962,221</u>	<u>95,968,040</u>
<u>\$ 3,189,786</u>	<u>\$ 5,406,991</u>	<u>\$ 107,619,321</u>	<u>\$ 106,962,221</u>



## CITY OF LAKE FOREST

### Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2009

Net change in fund balances - total governmental funds	\$ 657,100
--	------------

Amounts reported for governmental activities in the Statement of Activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense or allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as reconciled as follows:

Depreciation	5,079,488
Capital outlay, net of disposals	(6,440,798)

The issuance of long-term debt (e.g. bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Bonds payable	215,000
Current year amortization of bond premium	1,844
Current year amortization of bond issuance costs	(11,907)

Interest on noncurrent liabilities is not accrued in governmental funds, but rather is recognized as an expenditure when due.

Accrued interest	(13,106)
------------------	----------

Compensated absences reported on the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. The net change is reported on the statement of activities.

	(102,849)
--	-----------

Long-term loans are reported as expenditures when made and as revenue when repaid in the governmental funds. However, there is no impact in the Statement of Activities when loans are made or repaid.

	150,517
--	---------

Internal service funds are used by management to charge the costs of certain activities, such as vehicle replacement to individual funds. The net revenues of the internal service fund are reported with governmental activities.

	<u>39,694</u>
--	---------------

Change in net assets of governmental activities	<u>\$ (425,017)</u>
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See accompanying notes to basic financial statements.

# CITY OF LAKE FOREST

## General Fund

### Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)	2008 Actual
	Original	Final			
Revenues:					
Taxes	\$ 31,670,600	\$ 29,880,600	\$ 30,508,613	\$ 628,013	\$ 33,565,890
Licenses and permits	360,000	380,000	483,310	103,310	505,260
Intergovernmental	703,200	1,307,917	604,114	(703,803)	3,642,137
Charges for services	630,800	533,993	812,609	278,616	1,385,236
Fines and forfeitures	520,000	520,000	556,560	36,560	565,983
Investment income	2,750,000	2,750,000	2,160,580	(589,420)	4,620,007
Other	177,000	632,000	214,037	(417,963)	380,645
Total revenues	<u>36,811,600</u>	<u>36,004,510</u>	<u>35,339,823</u>	<u>(664,687)</u>	<u>44,665,158</u>
Expenditures:					
Current:					
General government:					
City council	232,450	232,450	214,162	18,288	217,124
City manager	929,700	929,700	874,917	54,783	727,310
City attorney	798,000	1,479,000	1,468,509	10,491	1,189,785
City clerk	748,900	755,158	709,585	45,573	640,540
Finance	1,072,200	1,234,200	1,210,972	23,228	1,030,988
Public safety:					
Police services	12,706,000	12,619,100	12,633,494	(14,394)	12,193,246
Public works	6,997,800	6,820,768	6,774,758	46,010	6,549,811
Development services	2,498,800	2,919,206	2,548,905	370,301	2,877,617
Management services	2,103,500	2,059,800	1,746,164	313,636	1,415,093
Community services	2,723,200	2,643,060	2,548,724	94,336	2,300,504
Redevelopment/economic development	329,200	329,200	288,151	41,049	210,043
Capital outlay	8,957,300	21,329,002	3,757,723	17,571,279	6,278,509
Total expenditures	<u>40,097,050</u>	<u>53,350,644</u>	<u>34,776,064</u>	<u>18,574,580</u>	<u>35,630,570</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(3,285,450)</u>	<u>(17,346,134)</u>	<u>563,759</u>	<u>17,909,893</u>	<u>9,034,588</u>
Other financing sources (uses):					
Transfers in			5,228	5,228	
Transfers out	<u>(197,900)</u>	<u>(287,900)</u>	<u>(325,751)</u>	<u>(37,851)</u>	<u>(302,022)</u>
Total other financing sources (uses)	<u>(197,900)</u>	<u>(287,900)</u>	<u>(320,523)</u>	<u>(32,623)</u>	<u>(302,022)</u>
Net change in fund balances	<u>(3,483,350)</u>	<u>(17,634,034)</u>	<u>243,236</u>	<u>17,877,270</u>	<u>8,732,566</u>
Fund balances, beginning	<u>98,294,894</u>	<u>98,294,894</u>	<u>98,294,894</u>		<u>89,562,328</u>
Fund balances, ending	<u>\$ 94,811,544</u>	<u>\$ 80,660,860</u>	<u>\$ 98,538,130</u>	<u>\$ 17,877,270</u>	<u>\$ 98,294,894</u>

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**  
Major Special Revenue Fund

Gas Tax Fund

Statement of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Budgeted Amounts			Variances with Final Budget Positive (Negative)	2008 Actual
	Original	Final	Actual		
Revenues:					
Intergovernmental	\$ 2,162,500	\$ 3,030,687	\$ 1,976,007	\$ (1,054,680)	\$ 2,646,637
Investment income	<u>30,000</u>	<u>30,000</u>	<u>50,433</u>	<u>20,433</u>	<u>98,306</u>
Total revenues	<u>2,192,500</u>	<u>3,060,687</u>	<u>2,026,440</u>	<u>(1,034,247)</u>	<u>2,744,943</u>
Expenditures:					
Current:					
Public works	1,887,100	1,887,100	1,853,312	33,788	1,866,040
Capital outlay	<u>                    </u>	<u>2,714,222</u>	<u>1,594,572</u>	<u>1,119,650</u>	<u>146,812</u>
Total expenditures	<u>1,887,100</u>	<u>4,601,322</u>	<u>3,447,884</u>	<u>1,153,438</u>	<u>2,012,852</u>
Net change in fund balances	305,400	(1,540,635)	(1,421,444)	119,191	732,091
Fund balances, beginning of year	<u>1,797,819</u>	<u>1,797,819</u>	<u>1,797,819</u>	<u>                    </u>	<u>1,065,728</u>
Fund balances, end of year	<u>\$ 2,103,219</u>	<u>\$ 257,184</u>	<u>\$ 376,375</u>	<u>\$ 119,191</u>	<u>\$ 1,797,819</u>

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**  
Major Special Revenue Fund

Community Development Block Grant Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Budgeted Amounts		Actual	Variances with Final Budget Positive (Negative)	2008 Actual
	Original	Final			
Revenues:					
Intergovernmental	\$ 478,600	\$ 1,473,304	\$ 944,273	\$ (529,031)	
Investment income	8,000	8,000	2,522	(5,478)	\$ 43,000
Other	40,000	40,000	63,983	23,983	56,692
Total revenues	<u>526,600</u>	<u>1,521,304</u>	<u>1,010,778</u>	<u>(510,526)</u>	<u>99,692</u>
Expenditures:					
Current:					
Development services	100,000	100,000	100,000		97,200
Redevelopment/economic development	346,600	420,300	315,739	104,561	417,455
Capital outlay	170,200	1,088,229	593,365	494,864	20,825
Total expenditures	<u>616,800</u>	<u>1,608,529</u>	<u>1,009,104</u>	<u>599,425</u>	<u>535,480</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(90,200)</u>	<u>(87,225)</u>	<u>1,674</u>	<u>88,899</u>	<u>(435,788)</u>
Other financing sources (uses):					
Sale of capital assets					326,000
Total other financing sources					326,000
Net change in fund balances	<u>(90,200)</u>	<u>(87,225)</u>	<u>1,674</u>	<u>88,899</u>	<u>(109,788)</u>
Fund balances, beginning of year	<u>106,365</u>	<u>106,365</u>	<u>106,365</u>		<u>216,153</u>
Fund balances, end of year	<u>\$ 16,165</u>	<u>\$ 19,140</u>	<u>\$ 108,039</u>	<u>\$ 88,899</u>	<u>\$ 106,365</u>

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**

Proprietary Fund

Statement of Net Assets

June 30, 2009

(With Comparative Totals For June 30, 2008)

	Governmental Activities - Internal Service Fund Totals	
	2009	2008
<u>Assets</u>		
Cash and investments	\$ 348,707	\$ 300,878
Capital assets, depreciated, net	<u>189,809</u>	<u>197,944</u>
Total assets	<u>538,516</u>	<u>498,822</u>
<u>Net assets</u>		
Invested in capital assets	189,809	197,944
Unrestricted	<u>348,707</u>	<u>300,878</u>
Total net assets	<u>\$ 538,516</u>	<u>\$ 498,822</u>

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**  
Proprietary Fund

Statement of Revenues, Expenses, and Changes in Net Assets

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Governmental Activities - Internal Service Fund Totals	
	2009	2008
Operating revenues:		
Current service charges	\$ 92,180	\$ 106,500
Operating expenses:		
Depreciation	68,852	44,949
Total operating expenses	68,852	44,949
Operating income	23,328	61,551
Non-operating revenues (expenses):		
Gain (loss) on sale of capital assets	(20,738)	13,194
Income before capital contributions	2,590	74,745
Capital contributions	37,104	21,806
Change in net assets	39,694	96,551
Net assets, beginning of year	498,822	402,271
Net assets, end of year	\$ 538,516	\$ 498,822

See accompanying notes to basic financial statements.

**CITY OF LAKE FOREST**  
Proprietary Fund

Statement of Cash Flows

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Governmental Activities - Internal Service Fund Totals	
	2009	2008
Cash flows from operating activities:		
Cash received from user departments	\$ 92,180	\$ 106,500
Net cash provided by operating activities	<u>92,180</u>	<u>106,500</u>
Cash flows from capital and related financing activities		
Acquisition of capital assets	(54,122)	(74,815)
Proceeds from sale of capital assets	<u>9,771</u>	<u>13,194</u>
Net cash used by capital and related financing activities	<u>(44,351)</u>	<u>(61,621)</u>
Net increase in cash and cash equivalents, beginning of year	47,829	44,879
Cash and cash equivalents, beginning of year	<u>300,878</u>	<u>255,999</u>
Cash and cash equivalents, end of year	<u>\$ 348,707</u>	<u>\$ 300,878</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 23,328	\$ 61,551
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	<u>68,852</u>	<u>44,949</u>
Net cash provided by operating activities	<u>\$ 92,180</u>	<u>\$ 106,500</u>
Supplemental disclosure of non-cash capital and related financing activities:		
Contributed capital assets	<u>\$ 37,104</u>	<u>\$ 21,806</u>

See accompanying notes to basic financial statements

# CITY OF LAKE FOREST

## Agency Funds

### Statement of Fiduciary Assets and Liabilities

June 30, 2009

(With Comparative Totals For June 30, 2008)

	Totals	
	2009	2008
<u>Assets</u>		
Cash and investments (note 2)	\$ 18,982	\$ 410,153
Accounts receivable		13,086
Total assets	<u>\$ 18,982</u>	<u>\$ 423,239</u>
<u>Liabilities</u>		
Accounts payable	\$ 6,204	\$ 13,086
Interest payable	2,374	6,770
Deposits payable	10,404	
Due to outside agencies		403,383
Total liabilities	<u>\$ 18,982</u>	<u>\$ 423,239</u>

See accompanying notes to financial statements



## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

Year Ended June 30, 2009

#### **(1) Summary of Significant Accounting Policies**

The accounting policies of the City of Lake Forest (the City) conform to accounting principles generally accepted in the United States of America as applicable to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for governmental accounting and financial reporting principles. The City has implemented GASB Statement No. 34 and these statements are presented according to those requirements. The following is a summary of the significant policies.

##### **(a) Description of the Reporting Entity**

This report includes all fund types of the City of Lake Forest (the "primary government"), the Lake Forest Redevelopment Agency (the Agency), and the Rancho Canāda Financing Authority (the Authority). The Agency and the Authority meet the definition of a "component unit," and are presented on a "blended" basis, as if they are part of the primary government. Although they are legally separate entities, the governing board of the Agency and the Authority are comprised of the same membership as the City Council. The City may impose its will on the Agency and the Authority, including the ability to appoint, hire, reassign, or dismiss management. There is also a financial benefit/burden relationship between the City, the Agency, and the Authority.

The City of Lake Forest was incorporated on December 20, 1991, under the laws of the State of California and enjoys all the rights and privileges pertaining to "General Law" cities. The City operates under a council-manager form of government and currently provides public safety, planning, building, code enforcement, engineering, street maintenance, street lighting, parks, recreation, and general administrative services.

The Lake Forest Redevelopment Agency was activated in October 1995 pursuant to the State of California Health and Safety Code Section 33000, entitled "Community Redevelopment Law." Its purpose is to prepare and carry out plans for improvement, rehabilitation, and redevelopment of blighted areas within the territorial limits of the City of Lake Forest.

The Rancho Canāda Financing Authority was established pursuant to the Rancho Canāda Financing Authority Joint Exercise of Powers Agreement, dated as of September 15, 1998, by and between the City and the Authority, under the provision of Chapter 5, Division 7, Title 1 of the Government Code of the State. The Board of Directors of the Authority is composed of the five members in connection with the acquisition, construction and improvement of public capital improvements, working capital requirements or insurance programs of the members.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

Separate financial statements for the Agency can be obtained from the City of Lake Forest Finance Department located at City Hall, 25550 Commercentre Drive, Suite 100, Lake Forest, California, 92630. The Authority does not issue separate financial statements.

#### **(b) Basis of Accounting, Measurement Focus and Financial Statement Presentation**

The *basic financial statements* of the City are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the basic financial statements

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements.

#### **Government-Wide Financial Statements**

Government-wide financial statements display information about the reporting government as a whole, except for its fiduciary activities. These statements include a single column for the governmental activities of the primary government. The City of Lake Forest has no business-type activities. Eliminations have been made in the Statement of Activities so that certain allocated expenses are recorded only once (by the function to which they were allocated). However, general government expenses have not been allocated as indirect expenses to the various functions of the City.

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. The types of transactions reported as program revenues for the City are reported in three categories:

1. Charges for services,
2. Operating grants and contributions, and
3. Capital grants and contributions.

Charges for services include revenues from customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function. Grants and contributions include revenues restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund transfers, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated. Internal service fund activity has been eliminated and net balances are included in the governmental activities. Interfund services provided and used, if any, are not eliminated in the consolidation process.

#### **Fund Financial Statements**

The underlying accounting system of the City is organized and operated on the basis of separate funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### Fund Financial Statements, (Continued)

Fund financial statements for the primary government's governmental and fiduciary funds are presented after the government-wide financial statements. These statements display information about major funds individually and non-major funds in the aggregate for governmental funds. Fiduciary statements include financial information for fiduciary funds. Fiduciary funds of the City primarily represent assets held by the City in a custodial capacity for other individuals or organizations.

##### Governmental Funds

In the fund financial statements, governmental funds are presented using the *modified-accrual basis of accounting*. Their revenues are recognized when they become *measurable* and *available* as net current assets. *Measurable* means that the amounts can be estimated, or otherwise determined. *Available* means that the amounts were collected during the reporting period or soon enough thereafter to be available to finance the expenditures accrued for the reporting period. The City uses an availability period of 90 days.

Sales taxes, property taxes, franchise fees, gas taxes, motor vehicle in lieu fees, highway user's taxes, transient occupancy taxes, grants and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period to the extent normally collected within the availability period. Other revenue items are considered to be measurable and available where cash is received by the government.

Revenue recognition is subject to the *measurable* and *availability* criteria for the governmental funds in the fund financial statements. *Exchange transactions* are recognized as revenues in the period in which they are earned (i.e., the related goods or services are provided). *Locally imposed derived tax revenues* are recognized as revenues in the period in which the underlying exchange transaction upon which they are based takes place. *Imposed non-exchange* transactions are recognized as revenues in the period for which they were imposed. If the period of use is not specified, they are recognized as revenues when an enforceable legal claim to the revenues arises or when they are received, whichever occurs first. *Government-mandated and voluntary non-exchange transactions* are recognized as revenues when all applicable eligibility requirements have been met. Revenues, expenses, gains, losses, assets, and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, which requires that local governments defer grant revenue that is not received within 180 days after the fiscal year ends to meet the "available" criteria of revenue recognition.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### Governmental Funds, (Continued)

In the fund financial statements, governmental funds are presented using the *current financial resources measurement focus*. This means that only current assets and current liabilities are generally included on their balance sheets. The reported fund balance (net current assets) is considered to be a measure of "available spendable resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "available spendable resources" during a period.

Non-current portions of long-term receivables due to governmental funds are reported on their balance sheets in spite of their spending measurement focus. Special reporting treatments are used to indicate; however, that they should not be considered "available spendable resources," since they do not represent net current assets.

Recognition of governmental fund type revenue represented by non-current receivables are deferred until they become current receivables. Non-current portions of other long-term receivables are offset by fund balance reserve accounts.

Because of their spending measurement focus, expenditure recognition for governmental fund types excludes amounts represented by non-current liabilities. Since they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities.

Amounts expended to acquire capital assets are recorded as *expenditures* in the year that resources were expended, rather than as fund assets. The proceeds of long-term debt are recorded as an *other financing source* rather than as a fund liability. Amounts paid to reduce long-term indebtedness are reported as fund expenditures.

When both restricted and unrestricted resources are combined in a fund, expenses are considered to be paid first from restricted resources, and then from unrestricted resources.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### Proprietary Fund Financial Statements

Proprietary fund types are accounted for using the “economic resources” measurement focus and accrual basis of accounting. This means that all assets and liabilities (whether current or non-current) associated with the activity are included on the balance sheet. Their reported fund equity presents total net assets. The operating statement of the proprietary funds presents increases (revenues) and decreases (expenses) in total net assets. Revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the City’s internal service fund are charges to departments for sales and services. Operating expenses for the internal service fund include the costs of sales and services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City’s internal service fund is presented in the proprietary funds financial statements. Because the principal users of the internal services are the City’s governmental activities, the financial statements of the internal service fund are consolidated into the governmental column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.). The City uses the internal service fund to account for vehicle replacement activities.

##### Fiduciary Fund Financial Statements

Fiduciary Fund Financial Statements include a Statement of Net Assets. The City’s Fiduciary Funds, which are custodial in nature (assets equal liabilities), use the accrual basis of accounting and do not involve measurement of results of operations. The City’s Fiduciary Funds consist of agency funds that are used to account for funds collected and disbursement on behalf of entities outside of the City. Because these funds are not available for use by the City, fiduciary funds are not included in the governmental-wide statements. The City uses agency funds to account for the collection and disbursement of funds for Orange County road construction programs, the State of California Strong Motion Instrumentation Program, and deposits related to land use study.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(c) Fund Classifications**

The City reports the following major governmental funds:

##### General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

##### Gas Tax Special Revenue Fund

This fund is used to account for receipts and expenditures of money appropriated under Streets and Highways Code Sections 2105, 2106, 2107, 2107.5 and Propositions 1B and 42 of the State of California. These funds are earmarked for maintenance, rehabilitation, or improvement of public streets.

##### Community Development Block Grant Special Revenue Fund

This fund is used to account for receipts and expenditures made under the federal Community Development Block Grant Program.

##### Redevelopment Agency Debt Service Fund

This fund is used to account for the accumulation of resources to repay debt for the Lake Forest Redevelopment Agency.

The City also reports the following fund types:

##### Internal Service Funds

The Internal Service Fund is used to account for the City's cost of replacing the City's vehicles.

##### Agency Funds

These funds are used to account for special deposits for which the City acts as an agent for all special deposit activity.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(d) Budgetary Policy and Control**

###### Budgetary Basis of Accounting

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America and are used as a management control device. Annual budgets are adopted for the General, Special Revenue, Debt Service, Capital Projects, and Internal Service Funds.

The City maintains budgetary controls to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) for the operating budget is the City as a whole. The City Manager is authorized to transfer appropriations within and between departments/projects provided there is no net increase in total appropriations for the City as a whole.

Budgeted amounts presented are as originally adopted and as further amended by the City Council. Supplemental appropriations for the fiscal year ended June 30, 2009, were \$19,421,472.

###### Continuing Appropriations

The unexpended and unencumbered appropriations, which are available and recommended for continuation to the following fiscal year, are approved by the City council for carryover. These commitments are reported as a designation of fund balance. Encumbered appropriations lapse at year-end but are recommended to the City Council for carryover.

##### **(e) Cash and Cash Equivalents**

All cash and investments are held in the City's cash management pool. Therefore, for purposes of the statement of cash flows for proprietary funds, the City considers the entire pooled cash and investment balance to be cash and cash equivalents.

##### **(f) Investments**

Investments are reported in the accompanying statement of net assets at fair value. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings and changes in fair value. The City pools cash and investments of all funds. Each fund's share in this pool is displayed in the accompanying



## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(f) Investments, (Continued)**

financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated to the various funds based on each fund's average cash and investment balance, except for investment income associated with funds not legally required to receive pooled investment income which has been assigned to and recorded as revenue of the general fund, as provided by California Government Code Section 53647.

##### **(g) Prepays**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaids in both the Government-Wide Statements and Fund Financial Statements.

##### **(h) Property Taxes**

Property tax revenue is recognized; in the fiscal year for which the taxes have been levied providing, they become available. Available means due, or past due and receivable within the current period and collected within the current period or expected to be collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities in the current period

Under California law, property taxes are assessed and collected by the counties at up to one percent of assessed value, plus other increases approved by the voters. The property taxes go into a pool and are then allocated to the cities based on complex formulas. The County of Orange collects property taxes for the City. Tax liens attach annually as of 12:01 a.m. on the first day of January, proceeding the fiscal year for which the taxes are levied. Taxes are levied on July 1 and cover the fiscal period July 1 to June 30. All secured personal property taxes and one-half of the taxes on real property are due November 1; the second installment is due February 1. All taxes are delinquent, if unpaid, on December 10 and April 10, respectively. Unsecured personal property taxes become due on March 1 each year, and are delinquent, if unpaid, on August 31.

##### **(i) Capital Assets**

Capital assets, which include land, machinery and equipment (furniture, vehicles, computers, etc.), and infrastructure assets (street systems, storm drains, traffic signals, etc.), are reported in Governmental Activities column of the Government-Wide Financial Statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$1,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

##### **(i) Capital Assets, (Continued)**

annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the useful life of the assets as follows:

<u>Item</u>	<u>Useful Life</u>
Buildings and Improvements	10
Computers	3
Machinery and equipment	5
Vehicles	5
Furniture	7
Infrastructure:	
Traffic signals	25
Median improvements	25
Street system – Arterial	35
Street system – Residential	50
Storm drains	50

##### **(j) Long-Term Debt**

In the government-wide financial statements, long-term debt is reported as a liability in the Statement of Net Assets. Premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Long-term debt is reported net of the applicable premiums or discount. Issuance costs are reported as deferred charges and amortized over the term of the related debt using the straight-line method.

In the fund financial statements, premiums and discounts, as well as issuance costs, are recognized in the current period. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(1) Summary of Significant Accounting Policies, (Continued)**

(k) Compensated Absences

In accordance with GASB Statement No. 16, an employee benefits payable liability is recorded for unused vacation and similar compensatory leave balances. The employee's entitlement to these balances are attributable to services already rendered and it is probable that virtually all of these balances will be liquidated by either paid time off or payments upon termination or retirement.

(l) Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

(m) Use of Estimates

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

(n) Comparative Data

Comparative total data for the prior year has been presented in the accompanying basic financial statements in order to provide an understanding of changes in the City's financial position and operations. However, comparative data has not been presented in each of the statements since its inclusion would make the statements unduly complex and difficult to understand. Certain minor reclassifications of prior year data have been made in order to enhance its comparability with current year figures.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(2) Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and investments	\$112,134,322
Restricted cash and investments	347
Statement of Fiduciary Assets and Liabilities:	
Cash and investments	<u>18,982</u>
Total cash and investments	<u><u>\$112,153,651</u></u>

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$ 2,300
Deposits with financial institutions	2,388,043
Investments	<u>109,763,308</u>
Total cash and investments	<u><u>\$112,153,651</u></u>

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### (2) Cash and Investments, (Continued)

#### Investments Authorized by the California Government Code and the City's Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code and the City's investment policy. The table also identifies certain provisions of the California Government Code (or the City's investment policy, if more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by fiscal agent that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's investment policy.

<u>Investment Types Authorized by State Law</u>	<u>Authorized by Investment Policy</u>	<u>Maximum Maturity*</u>	<u>Maximum Percentage of Portfolio*</u>	<u>Maximum Investment In One Issuer*</u>
Local Agency Bonds	No	5 years	None	None
U.S. Treasury Obligations	Yes	5 years	None	None
U.S. Agency Securities	Yes	5 years	60%	20%
Banker's Acceptances	Yes	180 days	20%	5%
Commercial Paper	Yes	180 days	15%	5%
Negotiable Certificates of Deposit	Yes	5 years	20%	5%
Repurchase Agreements	Yes	30 days	10%	None
Reverse Repurchase Agreements	No	92 days	20% of base value	None
Medium-Term Notes	No	5 years	10%	\$1,000,000
Mutual Funds	Yes	2 years	20%	10%
Money Market Mutual Funds	Yes	None	10%	10%
Mortgage Pass-Through Securities	No	5 years	20%	None
County Pooled Investment Funds	No	None	None	None
California Asset Management Program	Yes	None	30%	None
State Investment Pool (LAIF)	Yes	None	50%	None
JPA Pools (other investment pools)	Yes	None	30%	None

\* Based on state law requirements or investment policy requirements, whichever is more restrictive. The City may not invest in items that are permitted by the State but not permitted by the City's investment policy.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(2) Cash and Investments, (Continued)**

##### Investments Authorized by Debt Agreements

Investment of debt proceeds held by fiscal agent are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the investment types that are permitted under the debt agreement with the bond trustee. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage Allowed</u>	<u>Maximum Investment in One Issuer</u>
U.S. Treasury Obligations	None	None	None
Certain U.S. Agency Securities	None	None	None
Money Market Mutual Funds	None	None	None
Investment Agreements	None	None	None
Commercial Paper	None	None	None
Local Agency Bonds or Notes	None	None	None
Bankers Acceptances	1 year	None	None
Repurchase Agreements	30 days	None	None
State Investment Pool (LAIF)	None	None	None

##### Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric.

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### (2) Cash and Investments, (Continued)

#### Disclosures Relating to Interest Rate Risk, (Continued)

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table:

<u>Investment Type</u>	<u>Total</u>	<u>Weighted Average Maturity (in years)</u>
U.S. Treasury Notes	\$ 16,251,510	.625
U.S. Agency Securities	21,788,065	.471
State Investment Pool (LAIF)	35,583,711	.610
California Asset Management Program (CAMP)	29,837,845	.016
Money Market Mutual Funds	6,301,830	N/A
Held by Fiscal Agent:		
Money Market Mutual Funds	<u>347</u>	N/A
Total	<u>\$109,763,308</u>	

#### Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of year end for each investment type:

<u>Investment type</u>	<u>Total</u>	<u>Minimum Legal Rating</u>	<u>Rating as of Year End</u>		
			<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Not Rated</u>
U.S. Treasury Notes	\$ 16,251,510	N/A	\$16,251,510		
U.S. Agency Securities	21,788,065	N/A		\$21,788,065	
State Investment Pool (LAIF)	35,583,711	N/A			\$35,583,711
California Asset Management Program (CAMP)	29,837,845	N/A		29,837,845	
Money Market Mutual Funds	6,301,830	A		6,301,830	
Held by Fiscal Agents:					
Money Market Mutual Funds	<u>347</u>	AAAm-G		<u>347</u>	
Total	<u>\$109,763,308</u>		<u>\$16,251,510</u>	<u>\$57,928,087</u>	<u>\$35,583,711</u>

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### (2) Cash and Investments, (Continued)

##### Concentration of Credit Risk

The investment policy of the City contains limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code as noted on page 43. Investments in any one issuer (other than U.S. Treasury Securities, mutual funds and external investment pools) that represent 5 percent or more of total investments were as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Reported Amount</u>
Federal Farm Credit Agency	Federal agency securities	\$15,694,945
U.S. Treasury	U.S. Treasury Notes	16,251,510

##### Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits.



## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(2) Cash and Investments, (Continued)**

##### Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Currently, LAIF does not have an investment rating.

LAIF is a governmental investment pool managed and directed by the California State Treasurer and is not registered with the Securities and Exchange Commission. An oversight committee, comprised of California State officials and various participants, provide oversight to the management of the fund. The daily operations and responsibilities of LAIF fall under the auspices of the State Treasurer's office. The City is a voluntary participant in the investment pool.

##### California Asset Management Program (CAMP)

The City invests in this investment trust, which is similar to a money market mutual fund. The fund invests primarily in certificates of deposit, commercial paper, and U.S. Government and Agency obligations. The City is a voluntary participant in the investment pool.

The CAMP Cash Reserve Portfolio (the "Pool") is exempt from registration with the Securities and Exchange Commission ("SEC") under the Investment Company Act of 1940, but operates in a manner consistent with SEC Rule 2a-7, "Money Market Funds", of that Act. Accordingly, the Pool meets the definition of a "2a-7 like pool" set forth in GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. While the Pool itself is exempt from SEC registration, the Pool's Investment advisor and administrator, PFM Asset Management LLC, is registered with the SEC as an investment advisor under the Investment Advisors Act of 1940. PFM Asset Management LLC has filed with the California Department of Corporations, as well as various other states, as an investment advisor under state securities laws. In addition, the Pool also meets the definition of "Municipal Fund Security" outlined by Municipal Securities Rulemaking Board ("MSRB") Rule 0-12, therefore contacts with prospective

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### (2) Cash and Investments, (Continued)

#### California Asset Management Program (CAMP), (Continued)

investors relating to shares of the Pool are conducted through PFM Asset Management's wholly owned subsidiary, PFMAM, Inc., a broker/dealer that is registered with the SEC and MSRB, and is a member of the National Association of Securities Dealers ("NASD"). The Pool also files an income tax return annually with the Internal Revenue Service, though the net income of the Pool is generally exempt from federal income tax.

### (3) Capital Assets

Capital asset activity for the year ended June 30, 2009 was as follows:

	Balance at June 30, 2008, <u>as restated</u>	<u>Additions</u>	<u>Deletions</u>	Balance at June 30, 2009
Capital assets not being depreciated:				
Land and rights of way	\$ 45,026,390			\$ 45,026,390
Construction in progress	<u>1,193,302</u>	<u>\$3,180,878</u>	<u>\$ (1,296,671)</u>	<u>3,077,509</u>
Total capital assets not being depreciated	<u>46,219,692</u>	<u>3,180,878</u>	<u>(1,296,671)</u>	<u>48,103,899</u>
Capital assets being depreciated:				
Buildings and improvements	296,962			296,962
Machinery and equipment	2,062,611	450,494	(77,436)	2,435,669
Infrastructure	<u>196,485,239</u>	<u>1,475,046</u>		<u>197,960,285</u>
Total capital assets being depreciated	<u>198,844,812</u>	<u>1,925,540</u>	<u>(77,436)</u>	<u>200,692,916</u>
Less accumulated depreciation for:				
Buildings and improvements	(103,936)	(29,696)		(133,632)
Machinery and equipment	(1,480,777)	(335,080)	46,584	(1,769,273)
Infrastructure	<u>(62,852,856)</u>	<u>(4,783,564)</u>		<u>(67,636,420)</u>
Total accumulated depreciation	<u>(64,437,569)</u>	<u>(5,148,340)</u>	<u>46,584</u>	<u>(69,539,325)</u>
Total capital assets being depreciated, net	<u>134,407,243</u>	<u>(3,222,800)</u>	<u>(30,852)</u>	<u>31,153,591</u>
Capital assets, net	<u>\$180,626,935</u>	<u>\$ (41,922)</u>	<u>\$(1,327,523)</u>	<u>\$179,257,490</u>

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(3) Capital Assets, (Continued)**

Construction in progress consists primarily of additions to infrastructure.

Depreciation expense was charged to functions/programs of the primary government as follows:

General government	\$ 96,979
Public safety	23,312
Public works, including depreciation of infrastructure assets	4,793,089
Development services	58,676
Management services	91,642
Community services	15,790
Depreciation on capital assets held by the City's internal service fund are charged to the various functions based on their usage of the assets	<u>68,852</u>

Total depreciation expense – governmental activities	<u>\$5,148,340</u>
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#### **Construction Commitments**

As of June 30, 2009, budgeted funds committed for major capital projects included the following projects, which will be included in Capital Assets upon completion:

	<u>Project Budget</u>	<u>Expenditures to Date</u>	<u>Unexpended Balance</u>
Rockfield boulevard streetscape	\$1,106,622	\$ 246,957	\$ 859,665
Trabuco road streetscape	2,442,000	334,644	2,107,356
Playground equipment replacement	1,161,799	764,749	397,050
Sports park	570,784	328,835	241,949
Wheelchair access ramps	862,000	90,797	771,203

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### (4) Interfund Activities

#### Interfund Advances

Interfund advances at June 30, 2009 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service Fund	\$1,138,143

The City's General Fund has advanced money to the Redevelopment Agency to finance operations. The loan agreement provides for reimbursement to the City together with interest thereon at the same rate per annum as the City is receiving during such period on its investment portfolio. The repayment terms are indefinite and are dependent upon future tax increment receipts. The advance is between governmental funds and is therefore not reflected in the Statement of Net Assets.

#### Due From/Due to Other Funds

Amounts due from and due to other funds as of June 30, 2009 consisted of the following:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Community Development Block Grant Fund	\$ 89,355
General Fund	Non-major Governmental Funds	<u>39,568</u>
Total		<u>\$128,923</u>

The interfund balances reflected above represent short-term borrowings of cash pending receipt of reimbursements from granting agencies and others.

#### Interfund Transfers

The following summarizes interfund transfers for the fiscal year ending June 30, 2009:

<u>Transfer From</u>	<u>Transfer To</u>	<u>Amount</u>
General Fund	Non-major Governmental Funds	\$ 325,751(A)
Redevelopment Agency Debt Service Fund	Non-major Governmental Funds	1,299,952(B)
Non-major Governmental Funds	General Fund	<u>5,228(C)</u>
Total		<u>\$1,630,931</u>

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### **(4) Interfund Activities, (Continued)**

- (A) The General Fund transferred \$325,751 to the Etnies Skatepark Fund to subsidize operations.
- (B) The Redevelopment Agency Debt Service Fund transferred \$549,458 to the Financing Authority Debt Service Fund to pay debt service expenditures incurred by the fund and transferred \$750,494 to the Redevelopment Capital Projects Fund to provide funding for redevelopment operations and capital improvement projects.
- (C) General fund received money back this year of \$5,228 for a contribution to the Disaster Wildfires Fund to balance the fund deficit.

### **(5) Long-Term Debt**

The change in the City's long-term debt during the fiscal year ending June 30, 2009, consisted of the following:

	Balance at June 30, 2008	Additions	Deletions	Balance End of Year	Due Within One Year	Due Beyond One Year
2004 Certificates of Participation	\$8,760,000		(215,000)	8,545,000	220,000	8,325,000
Unamortized bond premium	47,341		(1,844)	45,497	1,844	43,653
Compensated absences	<u>288,298</u>	<u>531,116</u>	<u>(428,267)</u>	<u>391,147</u>	<u>229,692</u>	<u>161,455</u>
Total long-term debt	<u>\$9,095,639</u>	<u>531,116</u>	<u>(645,111)</u>	<u>8,981,644</u>	<u>451,536</u>	<u>8,530,108</u>

#### Compensated Absences

The City's policies relating to employee leave benefits are described in Note 1(I). This liability will be paid in future years from future resources primarily from the General Fund. As of June 30, 2009, the outstanding balance was \$391,147.

#### Certificates of Participation

On March 1, 2004, the Rancho Canāda Financing Authority issued \$9,505,000 in Certificates of Participation to partially finance the El Toro Road Traffic and Landscape Improvement Project. Interest is payable beginning June 1, 2004, and semiannually on each June 1 and December 1. The interest rate of this debt at the date of issue ranges

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### (5) Long-Term Debt, (Continued)

##### Certificates of Participation, (Continued)

from 2.80% to 4.25%. The certificates mature serially beginning December 1, 2004 through December 1, 2033. A reserve surety bond funded the legal reserve requirement of \$552,218.

The Certificates utilize an asset transfer structure whereby, concurrent with the above debt issuance, the City entered into a lease agreement with the Rancho Canāda Financing Authority with respect to Concourse Park, Pittsford Park, Rimgate Park and Lake Forest Golf and Practice Center (collectively, the "Leased Property"). The City will sublease the Leased Property to the Authority, and the Authority will sublease the Leased Property to the City. The City is obligated to pay lease payments under the lease agreement from any legally available moneys, including transfers from the Redevelopment Agency. The lease payments are calculated to be an amount sufficient to pay all principal and interest represented by the Certificates when due. Annual debt service requirements to maturity for these Certificates of Participation are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 220,000	326,498	546,498
2011	225,000	320,268	545,268
2012	235,000	313,828	548,828
2013	240,000	307,178	547,178
2014	245,000	300,143	545,143
2015-2019	1,355,000	1,372,645	2,727,645
2020-2024	1,620,000	1,098,098	2,718,098
2025-2029	1,980,000	730,718	2,710,718
2030-2034	<u>2,425,000</u>	<u>266,156</u>	<u>2,691,156</u>
	<u>\$8,545,000</u>	<u>5,035,532</u>	<u>13,580,532</u>

#### (6) Risk Management

The City is a member of the California Joint Power Insurance Authority (Authority). The Authority is composed of 122 California public entities and is organized under a joint powers agreement pursuant to California Government Code §6500 et seq. The purpose of the Authority is to arrange and administer programs for the pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group purchased

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(6) Risk Management, (Continued)**

insurance for property and other coverages. The Authority's pool began covering claims of its members in 1978. Each member government has an elected official as its representative on the Board of Directors. The Board operates through a 9-member Executive Committee.

General Liability - Each member government pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between police and non-police. Costs are allocated to members by the following methods within each of the four layers of coverage: the first \$30,000 of each occurrence is charged directly to the member's primary deposit; costs from \$30,000 to \$750,000 and the loss development reserves associated with losses up to \$750,000 are pooled based on the member's share of losses under \$30,000; losses from \$750,000 to \$2,000,000 and the associated loss development reserves are pooled based on payroll; costs of covered claims from \$2,000,000 to \$50,000,000 are paid under reinsurance and excess insurance policies subject to a \$3,000,000 annual aggregate deductible and a quota-sharing agreement whereby the Authority is financially responsible for 40% of losses occurring within the \$2,000,000 to \$10,000,000 layer. These costs associated with the fourth layer are estimated using actuarial models and pre-funded as part of the primary and retrospective deposits.

The overall policy limit for each member including all layers of coverage is \$50,000,000 per occurrence. Costs of covered claims for subsidence losses are paid by excess insurance with the following sub-limits per member: \$25,000,000 per occurrence with a \$15,000,000 annual aggregate.

Workers' Compensation - The City also participates in the workers' compensation pool administered by the Authority. Each member pays a primary deposit to cover estimated losses for a fiscal year (claims year). After the close of a fiscal year, outstanding claims are valued. A retrospective deposit computation is then made for each open claims year. Claims are pooled separately between public safety and non-public safety. Costs are allocated to members by the following methods within each of the four layers of coverage: the first \$50,000 of each loss is charged directly to the member's primary deposit; losses from \$50,000 to \$100,000 and the loss development reserve associated with losses up to \$100,000 are pooled based on the member's share of losses under \$50,000; losses from \$100,000 to \$2,000,000 are pooled based on the loss development reserves associated with those losses are pooled based on payroll; and losses from \$2,000,000 up to statutory limits are paid under an excess insurance policy. Protection is provided per statutory liability under California Workers' Compensation law.

Employer's Liability losses are pooled among members to \$2,000,000, coverage from \$2,000,000 to \$4,000,000 is purchased as part of an excess insurance policy, and losses from \$4,000,000 to \$10,000,000 are pooled among members.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(6) Risk Management, (Continued)**

Property Insurance - The City participates in the all-risk property protection program of the Authority. This insurance protection is underwritten by several insurance companies. The City property is currently insured according to a schedule of covered property submitted by the City to the Authority. The City currently has all-risk property insurance protection for \$8,172,330. There is a \$5,000 deductible per occurrence except for non-emergency vehicle insurance, which has a \$1,000 deductible. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Earthquake and Flood Insurance - The City purchases earthquake and flood insurance on a portion of its property. The earthquake insurance is part of the property protection insurance program of the Authority. The City's property currently has earthquake protection for \$2,761,899. There is a deductible of 5% of value with a minimum deductible of \$100,000. Premiums for the coverage are paid annually and are not subject to retroactive adjustments.

Crime Insurance - The City purchases crime insurance coverage in the amount of \$3,000,000 with a \$25,000 deductible. The fidelity coverage is provided through the Authority. Premiums are paid annually and are not subject to retroactive adjustments.

Special Event Tenant User Liability Insurance - The City further protects against liability damages by requiring tenant users of certain property to purchase low-cost tenant users liability insurance for certain activities on City property. The insurance premium is paid by the tenant user and is paid to the City according to a schedule. The City then pays for the insurance. The coverage is provided by Evanston Insurance Company.

During the past three fiscal (claims) years none of the above programs of protection have had settlements or judgments that exceeded pooled or insured coverage. There have been no significant reductions in pooled or insured liability coverage from coverage in the prior year.

Complete financial statements may be obtained from the California Joint Powers Insurance Authority, 8081 Moody Street, La Palma, California, 90623.

#### **(7) Classification of Net Assets and Fund Balances**

In the government-wide financial statements, net assets are classified in the following categories:

##### Invested in Capital Assets, Net of Related Debt

This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation on these assets and related long-term debt used to acquire the assets reduces this category.



## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(7) Classification of Net Assets and Fund Balances, (Continued)**

##### Restricted Net Assets

This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

##### Unrestricted Net Assets

This category represents the net assets of the City that are not restricted for any project or other purpose.

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced, or eliminated by similar actions. Following is a summary of reservations of fund balances and components of unreserved fund balances at June 30, 2009.

##### Fund Balances

Reserves for advances to other funds and prepaids are established to show that certain assets are already committed to other purposes and are not available for discretionary expenditures.

Reserves for encumbrances represent commitments related to unperformed contracts for services and undelivered goods.

Reserves for debt service represent resources legally restricted to the payment of long-term debt principal and interest maturing in future years.

Unreserved-undesignated represents the fund balance remaining after reduction for reserved and designated fund balances.

# CITY OF LAKE FOREST

## Notes to Basic Financial Statements

(Continued)

### (7) Classification of Net Assets and Fund Balances, (Continued)

Reserved fund balances and fund balances available for new appropriations at June 30, 2009 were as follows:

	<u>General Fund</u>	<u>Gas Tax Fund</u>	<u>Community Development Block Grant Fund</u>	<u>Redevelopment Agency Debt Service Fund</u>	<u>Non-major Governmen- tal Funds</u>	<u>Totals</u>
Reserved for:						
Encumbrances	\$ 591,377	\$ 40,611	\$ 12,939		\$ 84,302	\$ 729,229
Advances to other funds	1,138,143					1,138,143
Prepaid items	484,615				14,825	499,440
Debt service					347	347
Subtotal	<u>2,214,135</u>	<u>40,611</u>	<u>12,939</u>		<u>99,474</u>	<u>2,367,159</u>
Unreserved:						
Designated:						
Emergencies	3,000,000					3,000,000
Economic contingency	4,638,207					4,638,207
Redevelopment agency projects	1,000,000				61,311	1,061,311
Cable contract set- aside	950,854					950,854
Continuing appropriations	11,963,764				685,573	12,649,337
Undesignated reserve	<u>9,276,414</u>					<u>9,276,414</u>
Total designated	30,829,239				746,884	31,576,123
Unreserved, undesignated	<u>65,494,756</u>	<u>335,764</u>	<u>95,100</u>	<u>\$3,189,786</u>	<u>4,560,633</u>	<u>73,676,039</u>
Total unreserved fund balance	<u>96,323,995</u>	<u>335,764</u>	<u>95,100</u>	<u>3,189,786</u>	<u>5,307,517</u>	<u>105,252,162</u>
Total fund balances	<u>\$98,538,130</u>	<u>\$376,375</u>	<u>\$108,039</u>	<u>\$3,189,786</u>	<u>\$5,406,991</u>	<u>\$107,619,321</u>

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(8) Excess of Expenditures Over Appropriations**

Expenditures for the year ended June 30, 2009 exceeded appropriations in the following funds:

	<u>Final Budget</u>	<u>Actual</u>	<u>Excess over Appropriations</u>
Special Revenue Funds:			
Etnies Skatepark Fund	\$ 376,900	\$401,184	\$24,284
Capital Projects Fund:			
Lake Forest Transportation Mitigation Fund		55,156	55,156

#### **(9) Fund Deficit**

The following funds reported a deficit in fund balance as of June 30, 2009:

	<u>Deficit Balance</u>
Capital Projects Funds:	
Opportunities Study Area Fund	\$618,259(1)
Lake Forest Transportation Mitigation Fund	55,156(2)

- (1) Funding for expenditures in the Opportunities Study Area Fund was provided by advances from developers. These advances are recorded as liabilities since repayment will be made to the developers upon future issuance of bonds.
- (2) Funding for expenditures in the Lake Forest Transportation Mitigation Fund will be remedied by an interfund transfer from the General Fund in fiscal year 2009-10.

#### **(10) Operating Leases**

The City leases the City Hall facility and other equipment under noncancelable operating leases. The future minimum lease payments for these leases for the next five years are as follows:

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(10) Operating Leases, (Continued)**

<u>Year Ending</u> <u>June 30</u>	<u>Amount</u>
2010	\$ 750,933
2011	753,081
2012	755,020
2013	726,579
2014	<u>726,226</u>
Total	<u>\$3,711,839</u>

The following schedule shows the composition of total rental expenditures during the year-end June 30, 2009 for all operating leases except those with terms of a month or less that were not renewed:

City Hall lease	\$707,943
Office equipment lease	<u>5,991</u>
	<u>\$713,934</u>

#### **(11) Joint Venture**

In January 1995, the City of Lake Forest entered into a joint powers agreement with Cities of Buena Park, Cypress, Dana Point, Irvine, Laguna Hills, Laguna Niguel, La Palma, Los Alamitos, Mission Viejo, Placentia, San Clements, San Juan Capistrano, Seal Beach, Stanton, Tustin, Villa Park, and Yorba Linda, and the County of Orange to create the Orange County Fire Authority. Since the creation of the Authority, the cities of Aliso Viejo, Laguna Woods, Rancho Santa Margarita, and Westminster joined the Authority as members eligible for fire protection services. The purpose of the Authority is to provide for mutual fire protection, prevention and suppression services, and related and incidental services, including, but not limited to, emergency medical and transport services, as well as providing facilities and personnel for such services. The effective date of formation was March 1, 1995. The Authority's governing board consists of one representative from each city and two from the County. The operations of the Authority are funded with structural fire fees collected by the County through the property tax roll for the unincorporated area and on behalf of all member cities except for the Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach. The County pays all structural fire fees it collects to the Authority. The Cities of Stanton, Tustin, San Clemente, Buena Park, Placentia, and Seal Beach are considered "cash contract cities" and, accordingly, make cash contributions based on the Authority's annual budget. No determination has been made

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(11) Joint Venture, (Continued)**

as to each participant's proportionate share of fund equity as of June 30, 2009. Upon dissolution of the Authority, all surplus money and property of the Authority will be conveyed or distributed to each member in proportion to all funds provided to the Authority by that member or by the County on behalf of that member during its membership.

Summarized information of the Authority for the fiscal year ended June 30, 2009 (the most recent data available) is as follows:

	June 30, 2009 (Audited)
Total assets	\$392,881,880
Total liabilities	<u>(84,074,642)</u>
Net assets	<u>\$308,807,238</u>
Total revenue	264,071,709
Total expense	<u>(250,476,036)</u>
Net change in net assets	<u>\$ 13,595,673</u>

Complete financial statements may be obtained from the Orange County Fire Authority, 180 S. Water Street, Orange, California 92866.

#### **(12) Deferred Compensation Plan**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. The plan is available to all employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held for the exclusive benefit of the plan participants and their beneficiaries and the assets shall not be diverted for any other purpose. Each participant directs the investments in their respective accounts and the City has no liability for any losses that may be incurred. Pursuant to federal legislation, the Section 457 plan assets were placed in trust for the exclusive benefit of all employees and their beneficiaries and are not available to the creditors of the City. For this reason, the assets and related liabilities of the plan have been removed from the financial records of the City and are not included in the accompanying financial statements.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### (13) Pension Plan

##### Plan Description

The City contributes to the California Public Employees Retirement System (PERS), a cost sharing multiple-employer defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. PERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans that are administered by PERS. Copies of PERS' annual financial report may be obtained from its executive office at 400 "P" Street, Sacramento, California 95814.

##### Contributions

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of City employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and by benefit provided by the City through local ordinance or resolution.

For each of the fiscal years shown below, the City has contributed at the actuarially determined rate provided by PERS' actuaries. Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2008 to June 30, 2009 has been determined by an actuarial valuation of the plan as of June 30, 2006. The City's covered payroll for PERS was \$4,745,581 for the year ended June 30, 2009, while the City's total payroll for all employees was \$5,308,280 during the same period. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2009, the contribution rate is multiplied by the payroll of covered employees that were paid during the period July 1, 2008 to June 30, 2009.

##### Three-Year Trend Information (Miscellaneous)

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Annual Pension Cost (Employer Contribution)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/09	12.011%	\$571,832	100%	-0-
6/30/08	12.115%	513,593	100%	-0-
6/30/07	12.624%	734,333	100%	-0-

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(14) Contingencies**

##### Litigation

The City is involved as a defendant in various legal proceedings. While it is not feasible to predict or determine the outcome in these cases, it is the opinion of the City that the outcome will have no material adverse effect on the financial position of the City.

##### Federal and State Grants

The City has received State and Federal funds for specific purposes that are subject to review by the grantor agencies. Although, such audits could generate expenditure disallowances under the terms of the grants, it is believed that any required reimbursements, if any, will not be material.

##### State Issuance of Debt to Remit Borrowed Local Government Revenues

On July 28, 2009, legislation was signed into law that enabled the State of California to borrow a portion of the property tax revenue due to be remitted to local governments in fiscal year 2009-10. This action was taken to replace a portion of the shortfall in state revenues associated with current economic conditions. The amount to be borrowed in 2009-10 from each local government represents approximately 8% of the general levy property taxes received by that local government in fiscal year 2008-09.

On November 10, 2009, the California Statewide Communities Development Authority (CSCDA) issued debt to provide to participating local governments all of the revenues that had been authorized to be borrowed by the State in its fiscal 2009-10 budget. The bonds provide for the borrowed funds to be remitted to the participating local governments in two installments (on January 15, 2010 and on May 3, 2010).

##### State of California Budget Shift for Fiscal Years 2010 and 2011

When adopting its budget for fiscal year 2009-10, the State of California reflected in that budget a shift of a significant portion of tax increment revenue from redevelopment agencies to school districts for fiscal years 2009-10 and 2010-11. The California Redevelopment Association has filed a lawsuit challenging the legality of this tax shift. The outcome of that lawsuit is not certain at this time.

## CITY OF LAKE FOREST

### Notes to Basic Financial Statements

(Continued)

#### **(15) Restatement of Beginning Net Assets**

Beginning net assets reported for governmental activities was restated as of July 1, 2008. The City previously did not report the costs associated with rights-of-way in its government-wide financial statements in accordance with GASB Statement No. 34. The table below demonstrates the effect of this correction:

Net assets at beginning of year, as previously reported	\$260,006,498
Adjustments to record rights-of-way at historical cost	<u>20,003,535</u>
Net assets at beginning of year, as restated	<u>\$280,010,033</u>



**CITY OF LAKE FOREST**

Major Debt Service Fund

Redevelopment Agency Debt Service Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Taxes	\$ 4,192,300	\$ 4,162,842	\$ (29,458)	\$ 3,523,994
Investment income	<u>146,000</u>	<u>169,984</u>	<u>23,984</u>	<u>251,057</u>
Total revenues	<u>4,338,300</u>	<u>4,332,826</u>	<u>(5,474)</u>	<u>3,775,051</u>
Expenditures:				
Debt service:				
Interest and fiscal charges	51,300	30,090	21,210	50,722
Pass-through payments	<u>1,736,000</u>	<u>1,486,049</u>	<u>249,951</u>	<u>1,381,494</u>
Total expenditures	<u>1,787,300</u>	<u>1,516,139</u>	<u>271,161</u>	<u>1,432,216</u>
Excess (deficiency) of revenues over (under) expenditures	2,551,000	2,816,687	265,687	2,342,835
Other financing uses:				
Transfers out	<u>(1,708,355)</u>	<u>(1,299,952)</u>	<u>408,403</u>	<u>(1,140,810)</u>
Net change in fund balances	842,645	1,516,735	674,090	1,202,025
Fund balances, beginning of year	<u>1,673,051</u>	<u>1,673,051</u>		<u>471,026</u>
Fund balances, end of year	<u>\$ 2,515,696</u>	<u>\$ 3,189,786</u>	<u>\$ 674,090</u>	<u>\$ 1,673,051</u>

## **NON-MAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

Measure M Fund - This fund is used to account for the City's share of the sales tax increase authorized by Orange County's Measure "M". The monies are legally restricted for the acquisition, construction and improvement of public streets.

Air Quality Improvement Fund – This fund is used to account for the City's share of vehicle registration fees collected under AB2766 that the State of California has allocated to address air quality concerns in Southern California. These monies are to be used to fund programs to reduce air pollution from mobile sources such as cars, trucks, and buses.

Law Enforcement Grants Fund – This fund is used to account for receipts and expenditures of law enforcement related grants currently consisting of the State funded Supplemental Law Enforcement Program.

Asset Forfeiture Fund – This fund is used to account for receipts and expenditures associated with asset forfeitures.

Park Development Fund – This fund is used to account for funds received by the City for the specific purpose of constructing new parks or renovating existing parks.

Low and Moderate Income Housing Fund – This fund is used to account for the housing set-aside requirement for the tax increment received within the Redevelopment Agency.

Etnies Skatepark Fund – This fund is used to account for receipts and expenditures associated with the Skatepark operations.

Disaster Grants Fund – This fund is used to account for funds received from the Federal Emergency Management Agency and the State of California Office of Emergency Services for costs incurred for damage from fires during October 2007.

### **Capital Projects Funds**

Redevelopment Agency Fund - This fund is used to account for the capital projects activities of the Lake Forest Redevelopment Agency.

Opportunities Study Area Fund - This fund is used to account for costs to design and construct a sports park, recreation center, meeting facility, and a civic center. Developer advances currently fund these costs.

Lake Forest Transportation Mitigation Fund – This fund accounts for a development impact fee program to improve specific intersections City-wide.

### **Debt Service Fund**

Financing Authority Fund – This fund is used to account for debt service activity for the 2004 Certificates of Participation.

**CITY OF LAKE FOREST**  
Non-Major Governmental Funds

Combining Balance Sheet

June 30, 2009

(With Comparative Totals For June 30, 2008)

	SPECIAL REVENUE FUNDS					
	Measure M	Air Quality Improvement	Law Enforcement Grants	Asset Forfeiture	Park Development	Low and Moderate Income Housing
<u>Assets</u>						
Cash and investments	\$ 1,163,425	\$ 589,975	\$ 9,942	\$ 11,197	\$ 575,643	\$ 3,736,935
Receivables:						
Accounts						
Grants	22,617		813			
Loans						102,000
Due from other governments		24,484				
Prepaid items						
Restricted cash and investments						
 Total assets	<u>\$ 1,186,042</u>	<u>\$ 614,459</u>	<u>\$ 10,755</u>	<u>\$ 11,197</u>	<u>\$ 575,643</u>	<u>\$ 3,838,935</u>
<u>Liabilities and Fund Balances</u>						
Liabilities:						
Accounts payable	\$ 22,597		\$ 10,755			\$ 21,620
Accrued salaries and benefits						
Retentions payable						
Deferred revenue						102,000
Deposits						
Due to other funds						
 Total liabilities	<u>22,597</u>		<u>10,755</u>			<u>123,620</u>
Fund balances (deficit):						
Reserved for:						
Encumbrances	53,371					
Debt service						
Prepaid items						
Unreserved, reported in:						
Special revenue funds	1,110,074	614,459		11,197	575,643	3,715,315
Capital project funds						
 Total fund balances (deficit)	<u>1,163,445</u>	<u>614,459</u>		<u>11,197</u>	<u>575,643</u>	<u>3,715,315</u>
 Total liabilities and fund balances	<u>\$ 1,186,042</u>	<u>\$ 614,459</u>	<u>\$ 10,755</u>	<u>\$ 11,197</u>	<u>\$ 575,643</u>	<u>\$ 3,838,935</u>

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Non-Major Governmental Funds	
Etnies Skatepark	Disaster Grants	Redevelopment Agency	Opportunities Study Area	Lake Forest Transportation Mitigation	Financing Authority	2009	2008
\$ 9,827		\$ 104,520	\$ 249,094			\$ 6,450,558	\$ 5,132,609
1,484			60,107			61,591	
						23,430	268,733
						102,000	
						24,484	34,300
		14,825				14,825	
					\$ 347	347	345
<u>\$ 11,311</u>		<u>\$ 119,345</u>	<u>\$ 309,201</u>		<u>\$ 347</u>	<u>\$ 6,677,235</u>	<u>\$ 5,435,987</u>
\$ 11,311		\$ 119,345	\$ 226,614	\$ 15,588		\$ 427,830	\$ 198,795
							296
							95,603
						102,000	
			700,846			700,846	
				39,568		39,568	51,201
<u>11,311</u>		<u>119,345</u>	<u>927,460</u>	<u>55,156</u>		<u>1,270,244</u>	<u>345,895</u>
		30,931				84,302	413,329
					\$ 347	347	345
		14,825				14,825	
						6,026,688	4,726,754
		(45,756)	(618,259)	(55,156)		(719,171)	(50,336)
			(618,259)	(55,156)	347	5,406,991	5,090,092
<u>\$ 11,311</u>		<u>\$ 119,345</u>	<u>\$ 309,201</u>		<u>\$ 347</u>	<u>\$ 6,677,235</u>	<u>\$ 5,435,987</u>

**CITY OF LAKE FOREST**  
Non-Major Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	SPECIAL REVENUE FUNDS					
	Measure M	Air Quality Improvement	Law Enforcement Grants	Asset Forfeiture	Park Development	Low and Moderate Income Housing
Revenues:						
Taxes						\$ 923,613
Intergovernmental	\$ 1,101,472	\$ 91,469	\$ 75,843			
Charges for services						
Investment income	31,357	13,752		\$ 267	\$ 13,730	91,657
Other	<u>38,525</u>					
Total revenues	<u>1,171,354</u>	<u>105,221</u>	<u>75,843</u>	<u>267</u>	<u>13,730</u>	<u>1,015,270</u>
Expenditures:						
Current:						
General government						
Public safety			75,843			
Public works						
Development services						
Community services						
Redevelopment/economic development						304,166
Capital outlay	1,024,146	37,554				
Debt service:						
Principal payments						
Interest and fiscal charges						
Total expenditures	<u>1,024,146</u>	<u>37,554</u>	<u>75,843</u>			<u>304,166</u>
Excess (deficiency) of revenues over (under) expenditures	<u>147,208</u>	<u>67,667</u>		<u>267</u>	<u>13,730</u>	<u>711,104</u>
Other financing sources:						
Transfers in						
Transfers out						
Sale of capital assets						
Total other financing sources						
Net change in fund balances	147,208	67,667		267	13,730	711,104
Fund balances (deficit), beginning of year	<u>1,016,237</u>	<u>546,792</u>		<u>10,930</u>	<u>561,913</u>	<u>3,004,211</u>
Fund balances (deficit), end of year	<u>\$ 1,163,445</u>	<u>\$ 614,459</u>		<u>\$ 11,197</u>	<u>\$ 575,643</u>	<u>\$ 3,715,315</u>

SPECIAL REVENUE FUNDS		CAPITAL PROJECTS FUNDS			DEBT SERVICE FUND	Total Non-Major Governmental Funds	
Etnies Skatepark	Disaster Grants	Redevelopment Agency	Opportunities Study Area	Lake Forest Transportation Mitigation	Financing Authority	2009	2008
	\$ 5,228					\$ 923,613	\$ 754,429
\$ 51,258						1,274,012	1,633,905
						51,258	56,460
24,175		\$ 1,261			\$ 2	150,765	304,963
						63,961	115,736
75,433	5,228	1,261			2	2,463,609	2,865,493
		110,189				110,189	121,625
						75,843	225,358
						-	40,632
		28,327				28,327	34,226
398,817						398,817	372,513
		547,406				851,572	532,077
2,367		65,833	\$ 567,923	\$ 55,156		1,752,979	1,996,069
					215,000	215,000	210,000
					334,458	334,458	338,538
401,184		751,755	567,923	55,156	549,458	3,767,185	3,871,038
(325,751)	5,228	(750,494)	(567,923)	(55,156)	(549,456)	(1,303,576)	(1,005,545)
325,751		750,494			549,458	1,625,703	1,442,832
	(5,228)					(5,228)	
325,751	(5,228)	750,494			549,458	1,620,475	1,442,832
			(567,923)	(55,156)	2	316,899	437,287
			(50,336)		345	5,090,092	4,652,805
			\$ (618,259)	\$ (55,156)	\$ 347	\$ 5,406,991	\$ 5,090,092

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Measure M Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Intergovernmental	\$ 1,119,120	\$ 1,101,472	\$ (17,648)	\$ 1,288,608
Investment income	30,000	31,357	1,357	68,293
Other		38,525	38,525	3,393
Total revenues	<u>1,149,120</u>	<u>1,171,354</u>	<u>22,234</u>	<u>1,360,294</u>
Expenditures:				
Capital outlay	<u>1,273,090</u>	<u>1,024,146</u>	<u>248,944</u>	<u>1,533,166</u>
Net change in fund balances	(123,970)	147,208	271,178	(172,872)
Fund balances, beginning of year	<u>1,016,237</u>	<u>1,016,237</u>		<u>1,189,109</u>
Fund balances, end of year	<u>\$ 892,267</u>	<u>\$ 1,163,445</u>	<u>\$ 271,178</u>	<u>\$ 1,016,237</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Air Quality Improvement Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009 .

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Intergovernmental	\$ 93,000	\$ 91,469	\$ (1,531)	\$ 93,450
Investment income	<u>12,000</u>	<u>13,752</u>	<u>1,752</u>	<u>25,733</u>
Total revenues	<u>105,000</u>	<u>105,221</u>	<u>221</u>	<u>119,183</u>
Expenditures				
Capital outlay	<u>37,600</u>	<u>37,554</u>	<u>46</u>	
Net change in fund balances	67,400	67,667	267	119,183
Fund balances, beginning of year	<u>546,792</u>	<u>546,792</u>		<u>427,609</u>
Fund balances, end of year	<u>\$ 614,192</u>	<u>\$ 614,459</u>	<u>\$ 267</u>	<u>\$ 546,792</u>



**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Law Enforcement Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Intergovernmental	\$ 124,700	\$ 75,843	\$ (48,857)	\$ 150,456
Investment income	<u>1,000</u>	<u></u>	<u>(1,000)</u>	<u>3,360</u>
Total revenues	<u>125,700</u>	<u>75,843</u>	<u>(49,857)</u>	<u>153,816</u>
Expenditures				
Current:				
Public safety	<u>125,700</u>	<u>75,843</u>	<u>49,857</u>	<u>155,192</u>
Net change in fund balances				(1,376)
Fund balances, beginning of year	<u></u>	<u></u>	<u></u>	<u>1,376</u>
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Asset Forfeiture Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Investment income	\$ 300	\$ 267	\$ (33)	\$ 589
Net change in fund balances	300	267	(33)	589
Fund balances, beginning of year	10,930	10,930		10,341
Fund balances, end of year	<u>\$ 11,230</u>	<u>\$ 11,197</u>	<u>\$ (33)</u>	<u>\$ 10,930</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Park Development Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Investment income	\$ 15,000	\$ 13,730	\$ (1,270)	\$ 30,260
Net change in fund balances	15,000	13,730	(1,270)	30,260
Fund balances, beginning of year	561,913	561,913		531,653
Fund balances, end of year	<u>\$ 576,913</u>	<u>\$ 575,643</u>	<u>\$ (1,270)</u>	<u>\$ 561,913</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Low and Moderate Income Housing Special Revenue Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Taxes	\$ 923,600	\$ 923,613	\$ 13	\$ 754,429
Investment income	60,000	91,657	31,657	176,717
Other				68,000
Total revenues	<u>983,600</u>	<u>1,015,270</u>	<u>31,670</u>	<u>999,146</u>
Expenditures:				
Current:				
Redevelopment/economic development	1,124,781	304,166	820,615	161,318
Capital outlay				326,000
Total expenditures	<u>1,124,781</u>	<u>304,166</u>	<u>820,615</u>	<u>487,318</u>
Net change in fund balances	(141,181)	711,104	852,285	511,828
Fund balances, beginning of year	<u>3,004,211</u>	<u>3,004,211</u>		<u>2,492,383</u>
Fund balances, end of year	<u>\$ 2,863,030</u>	<u>\$ 3,715,315</u>	<u>\$ 852,285</u>	<u>\$ 3,004,211</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Etnies Skatepark Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Charges for services	\$ 74,000	\$ 51,258	\$ (22,742)	\$ 56,460
Other	<u>15,000</u>	<u>24,175</u>	<u>9,175</u>	<u>24,343</u>
Total revenues	<u>89,000</u>	<u>75,433</u>	<u>(13,567)</u>	<u>80,803</u>
Expenditures:				
Current:				
Community services	376,900	398,817	(21,917)	372,513
Capital outlay	<u>          </u>	<u>2,367</u>	<u>(2,367)</u>	<u>          </u>
Total expenditures	<u>376,900</u>	<u>401,184</u>	<u>(24,284)</u>	<u>372,513</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(287,900)</u>	<u>(325,751)</u>	<u>(37,851)</u>	<u>(291,710)</u>
Other financing sources:				
Transfers in	<u>287,900</u>	<u>325,751</u>	<u>37,851</u>	<u>291,710</u>
Total other financing sources	<u>287,900</u>	<u>325,751</u>	<u>37,851</u>	<u>291,710</u>
Net change in fund balances				
Fund balances, beginning of year	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Fund balances, end of year	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

**CITY OF LAKE FOREST**  
Non-Major Special Revenue Fund

Disaster Grants Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Intergovernmental	\$ 865	\$ 5,228	\$ 4,363	\$ 101,391
Expenditures:				
Current:				
Public safety				70,166
Public works				40,632
Development services				905
Total expenditures				111,703
Excess (deficiency) of revenues over (under) expenditures	865	5,228	4,363	(10,312)
Other financing sources:				
Transfers in				10,312
Transfers out		(5,228)	(5,228)	
Total other financing sources		(5,228)	(5,228)	10,312
Net change in fund balances	865		(865)	
Fund balances, beginning of year				
Fund balances, end of year	\$ 865	\$	\$ (865)	\$

**CITY OF LAKE FOREST**  
Non-Major Capital Projects Fund

Redevelopment Agency Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Other		\$ 1,261	\$ 1,261	\$ 20,000
Expenditures				
Current:				
General government	\$ 135,500	110,189	25,311	119,755
Development services	88,300	28,327	59,973	33,321
Redevelopment/economic development	838,092	547,406	290,686	370,759
Capital outlay	351,200	65,833	285,367	86,567
Total expenditures	1,413,092	751,755	661,337	610,402
Excess (deficiency) of revenues over (under) expenditures	(1,413,092)	(750,494)	662,598	(590,402)
Other financing sources:				
Transfers in	1,151,500	750,494	(401,006)	590,402
Net change in fund balances	(261,592)		261,592	
Fund balances, beginning of year				
Fund balances (deficit), end of year	\$ (261,592)	\$	\$ 261,592	\$

**CITY OF LAKE FOREST**  
Non-Major Capital Projects Fund

Opportunities Study Area Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Expenditures:				
Capital outlay	\$ 1,223,964	\$ 567,923	\$ 656,041	\$ 50,336
Net change in fund balances	(1,223,964)	(567,923)	656,041	(50,336)
Fund balances (deficit), beginning of year	(50,336)	(50,336)		
Fund balances (deficit), end of year	<u>\$ (1,274,300)</u>	<u>\$ (618,259)</u>	<u>\$ 656,041</u>	<u>\$ (50,336)</u>



**CITY OF LAKE FOREST**  
Non-Major Capital Projects Fund

Lake Forest Transportation Mitigation Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Expenditures:				
Capital outlay	\$ _____	\$ 55,156	\$ (55,156)	\$ _____
Net change in fund balances		(55,156)	(55,156)	
Fund balances, beginning of year	_____	_____	_____	_____
Fund balances (deficit), end of year	<u>\$ _____</u>	<u>\$ (55,156)</u>	<u>\$ (55,156)</u>	<u>\$ _____</u>

**CITY OF LAKE FOREST**  
Non-Major Debt Service Fund

Financing Authority Fund

Schedule of Revenues, Expenditures, and Changes in Fund Balances -  
Budget and Actual

Year Ended June 30, 2009

(With Comparative Totals For Year Ended June 30, 2008)

	Final Budget	Actual	Variances with Final Budget Positive (Negative)	2008 Actual
Revenues:				
Investment income	<u>                    </u>	<u>\$          2</u>	<u>\$          2</u>	<u>\$         11</u>
Expenditures:				
Debt service:				
Principal payment	\$    215,000	215,000		210,000
Interest and fiscal charges	<u>    342,200</u>	<u>    334,458</u>	<u>        7,742</u>	<u>    340,408</u>
Total expenditures	<u>    557,200</u>	<u>    549,458</u>	<u>        7,742</u>	<u>    550,408</u>
Excess (deficiency) of revenues over (under) expenditures	<u>    (557,200)</u>	<u>    (549,456)</u>	<u>        7,744</u>	<u>    (550,397)</u>
Other financing sources:				
Transfers in	<u>    556,855</u>	<u>    549,458</u>	<u>      (7,397)</u>	<u>    550,408</u>
Total other financing sources	<u>    556,855</u>	<u>    549,458</u>	<u>      (7,397)</u>	<u>    550,408</u>
Net change in fund balances	<u>        (345)</u>	<u>              2</u>	<u>        347</u>	<u>          11</u>
Fund balances, beginning of year	<u>        345</u>	<u>        345</u>	<u>                    </u>	<u>        334</u>
Fund balances, end of year	<u>\$                    </u>	<u>\$        347</u>	<u>\$        347</u>	<u>\$        345</u>

## AGENCY FUNDS

Road Construction Programs Fund – This fund is used to account for monies collected on behalf of the County of Orange and held in an agency capacity by the City.

Strong-Motion Instrumentation Program Fund – This fund is used to account for monies collected in conjunction with building permits for the Strong Motion Instrumentation Program. These fees are collected pursuant to State law and are remitted to the State of California quarterly.

Opportunities Study Area Fund – This fund is used to account for deposits made by property owners to pay for a land use study arranged by the City.

Building Standards Administration Fund – This fund accounts for monies collected in conjunction with building permits for development and education efforts associated with green building standards. Fees are collected pursuant to state law and are remitted to the California Building Standards Commission quarterly.

# CITY OF LAKE FOREST

## Agency Funds

### Combining Statement of Fiduciary Assets and Liabilities

June 30, 2009

(With Comparative Totals For June 30, 2008)

	Road Construction Programs	Strong Motion Instrument Program	Building Standards Administration	Totals	
				2009	2008
<u>Assets</u>					
Cash and investments	\$ 3,286	\$ 14,776	\$ 920	\$ 18,982	\$ 410,153
Accounts receivable					13,086
					<u>13,086</u>
Total assets	<u>\$ 3,286</u>	<u>\$ 14,776</u>	<u>\$ 920</u>	<u>\$ 18,982</u>	<u>\$ 423,239</u>
<u>Liabilities</u>					
Accounts payable	\$ 3,286	\$ 2,383	\$ 535	\$ 6,204	\$ 13,086
Interest payable		2,374		2,374	6,770
Deposits payable		10,019	385	10,404	
Due to outside agencies					403,383
					<u>403,383</u>
Total liabilities	<u>\$ 3,286</u>	<u>\$ 14,776</u>	<u>\$ 920</u>	<u>\$ 18,982</u>	<u>\$ 410,153</u>

# CITY OF LAKE FOREST

## Agency Funds

### Statement of Changes in Fiduciary Assets and Liabilities

Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b><u>Road Construction Programs</u></b>				
Assets:				
Cash and investments	\$ 394,492	\$ 44,868	\$ 436,074	\$ 3,286
Total assets	<u>\$ 394,492</u>	<u>\$ 44,868</u>	<u>\$ 436,074</u>	<u>\$ 3,286</u>
Liabilities:				
Accounts payable		\$ 432,581	\$ 429,295	\$ 3,286
Interest payable	\$ 4,765	4,691	9,456	
Due to outside agencies	<u>389,727</u>	<u>40,176</u>	<u>429,903</u>	
Total liabilities	<u>\$ 394,492</u>	<u>\$ 477,448</u>	<u>\$ 868,654</u>	<u>\$ 3,286</u>
<b><u>Strong- Motion Instrumentation Program</u></b>				
Assets:				
Cash and investments	\$ 15,661	\$ 7,708	\$ 8,593	\$ 14,776
Total assets	<u>\$ 15,661</u>	<u>\$ 7,708</u>	<u>\$ 8,593</u>	<u>\$ 14,776</u>
Liabilities:				
Accounts payable		\$ 12,408	\$ 10,025	\$ 2,383
Interest payable	\$ 2,005	622	253	2,374
Deposits payable	<u>13,656</u>	<u>7,416</u>	<u>11,053</u>	<u>10,019</u>
Total liabilities	<u>\$ 15,661</u>	<u>\$ 20,446</u>	<u>\$ 21,331</u>	<u>\$ 14,776</u>
<b><u>Opportunities Study Area</u></b>				
Assets:				
Accounts receivable	\$ 13,086	\$	\$ 13,086	\$
Total assets	<u>\$ 13,086</u>	<u>\$</u>	<u>\$ 13,086</u>	<u>\$</u>
Liabilities:				
Accounts payable	\$ 13,086	\$	\$ 13,086	\$
Total liabilities	<u>\$ 13,086</u>	<u>\$</u>	<u>\$ 13,086</u>	<u>\$</u>

# CITY OF LAKE FOREST

## Agency Funds

### Statement of Changes in Fiduciary Assets and Liabilities

(Continued)

	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
<b><u>Building Standards Administration</u></b>				
Assets:				
Cash and investments	\$	\$ 1,073	\$ 153	\$ 920
Total assets	\$	\$ 1,073	\$ 153	\$ 920
Liabilities:				
Accounts payable	\$	\$ 679	\$ 144	\$ 535
Deposits payable		1,065	680	385
Total liabilities	\$	1,744	824	920
<b><u>Total - All Agency Funds</u></b>				
Assets:				
Cash and investments	\$ 410,153	\$ 53,649	\$ 444,820	\$ 18,982
Accounts receivable	13,086		13,086	
Total assets	\$ 423,239	\$ 53,649	\$ 457,906	\$ 18,982
Liabilities:				
Accounts payable	\$ 13,086	\$ 445,668	\$ 452,550	\$ 6,204
Interest payable	6,770	5,313	9,709	2,374
Deposits payable	13,656	8,481	11,733	10,404
Due to outside agencies	389,727	40,176.000	429,903	
Total liabilities	\$ 423,239	\$ 499,638	\$ 903,895	\$ 18,982

## **STATISTICAL SECTION**

This section of the City of Lake Forest's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the City's overall financial health. This information has not been audited by the independent auditor.

<b><u>Contents</u></b>	<b><u>Pages</u></b>
<b>Financial Trends</b> <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	90-97
<b>Revenue Capacity</b> <i>These schedules contain information to help the reader assess the City's most significant local revenue source, property tax.</i>	98-101
<b>Debt Capacity</b> <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt.</i>	102-105
<b>Demographic and Economic Information</b> <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.</i>	106-108
<b>Operating Information</b> <i>These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.</i>	109-110

### **Sources:**

*Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB 34 in the fiscal year ended June 30, 2001; schedules presenting government-wide information include information beginning in that year.*

**CITY OF LAKE FOREST**  
**Net Assets by Component**  
**Last Nine Fiscal Years**  
**(accrual basis of accounting)**

	Fiscal Year		
	2001	2002	2003
Governmental activities:			
Invested in capital assets, net of related debt	\$111,609,434	\$115,819,357	\$136,395,069
Restricted	2,298,998	3,169,142	3,824,691
Unrestricted	44,158,449	51,848,772	58,116,908
Total governmental activities net assets	<u>\$158,066,881</u>	<u>\$170,837,271</u>	<u>\$198,336,668</u>
Primary government:			
Invested in capital assets, net of related debt	\$111,609,434	\$115,819,357	\$136,395,069
Restricted	2,298,998	3,169,142	3,824,691
Unrestricted	44,158,449	51,848,772	58,116,908
Total primary government net assets	<u>\$158,066,881</u>	<u>\$170,837,271</u>	<u>\$198,336,668</u>

The City of Lake Forest implemented GASB 34 for the fiscal year ended June 30, 2001.  
Information prior to the implementation of GASB 34 is not available.



Fiscal Year					
2004	2005	2006	2007	2008	2009
\$135,849,398	\$147,415,149	\$ 153,261,503	\$ 152,736,236	\$ 151,991,756	\$ 170,898,743
4,899,620	5,478,503	6,145,459	6,756,713	7,917,936	6,965,580
71,876,493	77,610,246	81,927,739	94,134,305	100,096,806	101,720,693
<u>\$212,625,511</u>	<u>\$230,503,898</u>	<u>\$ 241,334,701</u>	<u>\$ 253,627,254</u>	<u>\$ 260,006,498</u>	<u>\$ 279,585,016</u>
\$135,849,398	\$147,415,149	\$ 153,261,503	\$ 152,736,236	\$ 151,991,756	\$ 170,898,743
4,899,620	5,478,503	6,145,459	6,756,713	7,917,936	6,965,580
71,876,493	77,610,246	81,927,739	94,134,305	100,096,806	101,720,693
<u>\$212,625,511</u>	<u>\$230,503,898</u>	<u>\$ 241,334,701</u>	<u>\$ 253,627,254</u>	<u>\$ 260,006,498</u>	<u>\$ 279,585,016</u>

**CITY OF LAKE FOREST**  
Changes in Net Assets  
Last Nine Fiscal Years  
(accrual basis of accounting)

	Fiscal Year					
	2001	2002	2003	2004	2005	2006
Expenses:						
Governmental activities:						
General government	\$ 2,238,957	\$ 2,180,024	\$ 2,914,185	\$ 2,697,390	\$ 2,932,872	\$ 3,381,872
Public safety	6,785,801	6,768,428	8,375,632	9,305,072	9,331,034	10,546,371
Public works	10,265,714	10,165,153	11,197,224	9,863,496	11,874,966	13,033,025
Development services	3,690,402	3,500,648	3,767,834	4,504,509	4,914,100	5,095,288
Management services	2,178,382	2,259,398	2,225,941	2,224,495	2,608,288	2,670,342
Community services						
Redevelopment/economic development						
Interest on long-term debt				96,421	351,954	348,105
Total governmental activities expenses	<u>\$ 25,159,256</u>	<u>\$ 24,873,651</u>	<u>\$ 28,480,816</u>	<u>\$ 28,691,383</u>	<u>\$ 32,013,214</u>	<u>\$ 35,075,003</u>
Program revenues:						
Governmental activities:						
Charges for services:						
General government	\$ 5,805	\$ 3,524	\$ 13,899	\$ 4,370	\$ 4,098	\$ 1,583
Public safety	373,057	479,734	472,434	535,374	542,722	485,246
Public works	206,647	129,811	156,553	213,584	153,298	177,002
Development services	1,693,289	1,183,750	1,182,534	1,740,111	2,101,270	2,026,050
Management services	28,713	32,400	64,563	58,639	63,502	128,949 <sup>2</sup>
Community services						
Operating grants and contributions	4,375,734	3,892,099	3,968,311	3,504,114	4,509,756	3,642,056
Capital grants and contributions	690,582	3,325,021	869,050	8,542,590	8,071,746	2,275,705
Total governmental activities program revenues	<u>\$ 7,373,827</u>	<u>\$ 9,046,339</u>	<u>\$ 6,727,344</u>	<u>\$ 14,598,782</u>	<u>\$ 15,446,392</u>	<u>\$ 8,736,591</u>
Total primary government program revenues	<u>\$ 7,373,827</u>	<u>\$ 9,046,339</u>	<u>\$ 6,727,344</u>	<u>\$ 14,598,782</u>	<u>\$ 15,446,392</u>	<u>\$ 8,736,591</u>
Net revenues (expenses):						
Governmental activities	<u>(17,785,429)</u>	<u>(15,827,312)</u>	<u>(21,753,472)</u>	<u>(14,092,601)</u>	<u>(16,566,822)</u>	<u>(26,338,412)</u>
Total net revenues (expenses)	<u>\$(17,785,429)</u>	<u>\$(15,827,312)</u>	<u>\$(21,753,472)</u>	<u>\$(14,092,601)</u>	<u>\$(16,566,822)</u>	<u>\$(26,338,412)</u>
General revenues and other changes in net assets:						
Governmental activities:						
Taxes:						
Property taxes	\$ 5,730,420	\$ 6,656,629	\$ 7,126,612	\$ 7,825,583	\$ 12,200,460	\$ 14,260,592
Sales taxes	10,525,276	10,514,492	10,874,978	12,432,181	13,888,086	15,182,510
Transient occupancy taxes	1,139,888	960,218	1,051,400	1,305,742	1,789,195	2,168,862
Other taxes	1,922,139	2,182,489	2,248,710	2,471,229	2,491,189	2,660,320
Motor vehicle in lieu, unrestricted	4,400,740	5,457,486	4,442,316	3,548,946	2,081,262	202,814
Investment income	2,768,181	2,138,675	1,583,364	602,708	1,748,082	2,671,639
Other general revenues	385,723	451,859	470,836	195,055	246,935	22,478
Total governmental activities	<u>26,872,367</u>	<u>28,361,848</u>	<u>27,798,216</u>	<u>28,381,444</u>	<u>34,445,209</u>	<u>37,169,215</u>
Total primary government	<u>\$ 26,872,367</u>	<u>\$ 28,361,848</u>	<u>\$ 27,798,216</u>	<u>\$ 28,381,444</u>	<u>\$ 34,445,209</u>	<u>\$ 37,169,215</u>
Changes in net assets						
Governmental activities	<u>9,086,938</u>	<u>12,534,536</u>	<u>6,044,744</u>	<u>14,288,843</u>	<u>17,878,387</u>	<u>10,830,803</u>
Total primary government	<u>\$ 9,086,938</u>	<u>\$ 12,534,536</u>	<u>\$ 6,044,744</u>	<u>\$ 14,288,843</u>	<u>\$ 17,878,387</u>	<u>\$ 10,830,803</u>

The City of Lake Forest implemented GASB 34 for the fiscal year ended June 30, 2001. Information prior to the implementation of GASB 34 is not available.

Fiscal Year		
2007	2008	2009
\$ 3,411,235	\$ 4,203,569	\$ 4,785,915
10,348,994	12,452,930	12,732,649
13,234,911	17,924,671	17,401,277
3,754,817 <sup>1</sup>	3,040,972	2,735,908
1,385,050 <sup>2</sup>	1,450,824	1,837,806
2,473,802 <sup>2</sup>	2,673,227	2,963,331
1,283,418 <sup>1</sup>	1,006,979	1,455,462
342,025	384,850	387,717
<u>\$ 36,234,252</u>	<u>\$ 43,138,022</u>	<u>\$ 44,300,065</u>
\$ 4,933	\$ 8,759	\$ 20,192
512,079	570,473	560,612
87,701	116,808	120,296
1,654,938	1,666,111	1,031,280
109,908 <sup>2</sup>	150,790	177,438
4,475,783	4,755,995	4,900,050
29,406	1,051,710	13,730
<u>\$ 6,874,748</u>	<u>\$ 8,320,646</u>	<u>\$ 6,823,598</u>
<u>\$ 6,874,748</u>	<u>\$ 8,320,646</u>	<u>\$ 6,823,598</u>
(29,359,504)	(34,817,376)	(37,476,467)
<u>\$(29,359,504)</u>	<u>\$(34,817,376)</u>	<u>\$(37,476,467)</u>
\$ 15,955,895	\$ 16,150,989	\$ 17,045,323
15,278,307	13,676,717	12,482,010
2,657,295	2,813,764	2,227,264
2,815,753	2,287,907	2,354,422
494,643	346,806	266,153
4,335,205	5,090,792	2,424,745
114,959	829,645	251,533
<u>41,652,057</u>	<u>41,196,620</u>	<u>37,051,450</u>
<u>\$ 41,652,057</u>	<u>\$ 41,196,620</u>	<u>\$ 37,051,450</u>
12,292,553	6,379,244	(425,017)
<u>\$ 12,292,553</u>	<u>\$ 6,379,244</u>	<u>\$ (425,017)</u>

# CITY OF LAKE FOREST

## Fund Balances of Governmental Funds

Last Nine Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
General fund:				
Reserved	\$ 4,107,575	\$ 2,867,081	\$ 4,580,937	\$ 2,522,296
Unreserved	41,399,620	50,043,819	53,939,450	72,148,399
Total general fund	<u>\$45,507,195</u>	<u>\$52,910,900</u>	<u>\$58,520,387</u>	<u>\$74,670,695</u>
All other governmental funds:				
Reserved	\$ 822,722	\$ 134,518		\$ 163,912
Unreserved, reported in:				
Special revenue funds	1,476,276	2,409,478	\$ 3,172,913	3,993,337
Capital projects funds	(1,348,746)	318,851	734,664	1,060,698
Debt service funds		(1,380,979)	(1,138,143)	(1,138,143)
Total all other governmental funds	<u>\$ 950,252</u>	<u>\$ 1,481,868</u>	<u>\$ 2,769,434</u>	<u>\$ 4,079,804</u>

The presentation of fiscal years in this schedule is intended to be consistent with the implementation of GASB 34.

Fiscal Year				
2005	2006	2007	2008	2009
\$13,747,897	\$ 3,407,725	\$ 2,606,143	\$ 2,168,178	\$ 2,214,135
61,820,588	70,364,793	86,956,185	96,126,716	96,323,995
<u>\$75,568,485</u>	<u>\$73,772,518</u>	<u>\$89,562,328</u>	<u>\$98,294,894</u>	<u>\$98,538,130</u>
\$ 1,769,773	\$ 137,917	\$ 264,980	\$ 518,773	\$ 153,024
2,946,408	5,265,055	5,669,706	6,525,839	6,457,552
870,168	285,316		(50,336)	(719,171)
(1,138,143)	(116,880)	471,026	1,673,051	3,189,786
<u>\$ 4,448,206</u>	<u>\$ 5,571,408</u>	<u>\$ 6,405,712</u>	<u>\$ 8,667,327</u>	<u>\$ 9,081,191</u>

# CITY OF LAKE FOREST

## Changes in Fund Balances of Governmental Funds

Last Nine Fiscal Years  
(modified accrual basis of accounting)

	Fiscal Year			
	2001	2002	2003	2004
Revenues:				
Taxes	\$ 18,540,368	\$ 18,522,329	\$ 19,350,112	\$21,786,662
Licenses and permits	1,024,518	826,029	749,101	690,862
Fines and forfeitures	372,029	477,852	466,027	529,540
Investment income	2,996,456	2,291,318	1,692,728	652,088
Intergovernmental	10,031,446	11,059,090	11,093,550	14,750,063
Charges for services	910,964	525,338	674,855	1,322,332
Other	221,868	583,564	534,334	473,437
Total revenues	<u>\$ 34,097,649</u>	<u>\$ 34,285,520</u>	<u>\$ 34,560,707</u>	<u>\$40,204,984</u>
Expenditures				
Current:				
General government	\$ 2,145,574	\$ 2,155,383	\$ 2,866,399	\$ 2,657,972
Public safety	6,715,409	6,774,052	8,294,753	9,244,764
Public works	4,598,173	5,068,330	5,628,684	6,007,637
Development services	2,699,472	3,060,977	3,003,953	3,456,771
Management services	2,050,856	2,186,548	2,212,341	2,211,439
Community services				
Redevelopment/economic development				
Pass through agreements	584,121	669,656	773,674	1,030,642
Capital outlay	4,196,275	6,115,462	4,852,329	7,249,400
Debt service:				
Principal retirement				88,800
Interest and fiscal charges	75,363	56,346	31,521	357,213
Total expenditures	<u>\$ 23,065,243</u>	<u>\$ 26,086,754</u>	<u>\$ 27,663,654</u>	<u>\$32,304,638</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ 11,032,406</u>	<u>\$ 8,198,766</u>	<u>\$ 6,897,053</u>	<u>\$ 7,900,346</u>
Other financing sources (uses):				
Transfers in	\$ 51,620	\$ 1,341,039	\$ 245,498	\$ 108,370
Transfers out	(51,620)	(1,341,039)	(245,498)	(108,370)
Proceeds on exchange of land	223,908			-
Proceeds from long-term debt				9,505,000
Premium on debt issue				55,332
Total other financing sources (uses)	<u>\$ 223,908</u>	<u>\$</u>	<u>\$</u>	<u>\$ 9,560,332</u>
Net change in fund balances:	<u>\$ 11,256,314</u>	<u>\$ 8,198,766</u>	<u>\$ 6,897,053</u>	<u>\$17,460,678</u>
Debt service as a percentage of non-capital expenditures	0.4%	0.3%	0.1%	1.9%

<sup>1</sup> Redevelopment/Economic Development activity was reported in Development Services through Fiscal Year 2005-06.

<sup>2</sup> Community Services activity was reported in Management Services through Fiscal Year 2005-06.

Fiscal Year				
2005	2006	2007	2008	2009
\$27,437,895	\$30,150,758	\$32,814,833	\$37,844,313	\$35,595,068
754,057	616,067	643,158	505,260	483,310
535,357	476,953	505,457	565,983	556,560
1,886,535	2,871,568	4,669,655	5,317,333	2,534,284
11,098,720	10,227,492	12,392,899	7,922,679	4,798,406
1,568,477	1,713,575	1,209,977	1,441,696	863,867
1,766,610	210,956	319,464	553,073	341,981
<u>\$45,047,651</u>	<u>\$46,267,369</u>	<u>\$52,555,443</u>	<u>\$54,150,337</u>	<u>\$45,173,476</u>
\$ 2,871,880	\$ 3,315,329	\$ 3,331,061	\$ 3,927,372	\$ 4,588,334
9,297,707	10,515,607	10,315,572	12,418,604	12,709,337
6,676,955	6,662,359	7,156,432	8,456,483	8,628,070
3,865,405	4,030,326	2,662,422 <sup>1</sup>	3,009,043	2,677,232
2,592,550	2,646,902	1,347,789 <sup>2</sup>	1,415,093	1,746,164
		2,476,122 <sup>2</sup>	2,673,017	2,947,541
		1,276,767 <sup>1</sup>	1,159,575	1,455,462
1,133,081	1,171,576	1,249,385	1,381,494	1,486,049
16,697,787	18,012,248	5,503,543	8,442,215	7,698,639
135,000	195,000	205,000	210,000	215,000
380,364	390,787	407,236	389,260	364,548
<u>\$43,650,729</u>	<u>\$46,940,134</u>	<u>\$35,931,329</u>	<u>\$43,482,156</u>	<u>\$44,516,376</u>
<u>\$ 1,396,922</u>	<u>\$ (672,765)</u>	<u>\$16,624,114</u>	<u>\$10,668,181</u>	<u>\$ 657,100</u>
\$ 620,499	\$ 701,053	\$ 1,980,525	\$ 1,442,832	\$ 1,630,931
(751,229)	(701,053)	(1,980,525)	(1,442,832)	(1,630,931)
			326,000	
<u>\$ (130,730)</u>	<u>\$</u>	<u>\$</u>	<u>\$ 326,000</u>	<u>\$</u>
<u>\$ 1,266,192</u>	<u>\$ (672,765)</u>	<u>\$16,624,114</u>	<u>\$10,994,181</u>	<u>\$ 657,100</u>
2.0%	2.2%	2.1%	1.8%	1.7%

# CITY OF LAKE FOREST

## Assessed Value and Estimated Actual Value of Taxable Property Last Ten Fiscal Years (in thousands of dollars)

Fiscal Year Ended June 30	Residential	Commercial	Industrial	Misc.	Total Secured	Unsecured	Taxable Assessed Value	Total Direct Tax Rate
2000	\$3,104,909	\$ 546,874	\$ 542,730	\$ 22,911	\$4,217,424	\$ 167,071	\$4,384,495	0.127%
2001	3,357,998	587,085	540,643	178,673	4,664,399	251,816	4,916,215	0.130%
2002	4,934,929	691,288	663,642	228,877	6,518,736	395,385	6,914,121	0.106%
2003	5,202,392	881,456	701,438	204,802	6,990,088	444,851	7,434,939	0.103%
2004	5,554,373	1,005,560	752,309	175,792	7,488,034	497,987	7,986,021	0.104%
2005	5,983,586	1,056,353	786,114	234,818	8,060,871	492,521	8,553,392	0.107%
2006	6,547,321	1,118,675	860,690	259,975	8,786,661	472,230	9,258,891	0.103%
2007	7,222,303	1,195,917	925,811	277,545	9,621,576	534,380	10,155,956	0.107%
2008	7,697,469	1,364,379	978,603	284,144	10,324,595	570,109	10,894,704	0.108%
2009	7,690,343	1,463,499	1,117,041	291,831	10,562,714	619,832	11,182,546	0.108%

Note: Exempt values are not included. In 1978 the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum increase of 2%). With few exceptions, property is only re-assessed as a result of new construction activity or at the time that it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Source: HdL, Coren & Cone



**CITY OF LAKE FOREST**  
**Direct & Overlapping Property Tax Rates**  
(Rate per \$100 of Taxable Value)  
Last Nine Fiscal Years

	2001	2002	2003	2004	2005	2006	2007	2008	2009
<b>Basic Levy:</b>									
City of Lake Forest	0.0420	0.0420	0.0420	0.0420	0.0420	0.04186	0.04186	0.04186	0.04186
City of Lake Forest Comm. Service Area Reorganization	0.0710	0.0710	0.0710	0.0710	0.0710	0.07075	0.07075	0.07075	0.07075
Lake Forest City Lighting Fund	0.0170	0.0170	0.0170	0.0170	0.0170	0.01692	0.01692	0.01692	0.01692
Total City Direct Rate	0.1300	0.1300	0.1300	0.1300	0.1300	0.12953	0.12953	0.12953	0.12953
<b>Overlapping Rates</b>									
Saddleback Valley Unified General Fund	0.4360	0.4360	0.4360	0.4360	0.4360	0.43637	0.43637	0.43637	0.43637
Educational Revenue Augmentation Fund	0.1110	0.1110	0.1110	0.1110	0.1110	0.11103	0.11103	0.11103	0.11103
Lake Forest City (SB 1406)	0.0118	0.0118	0.0118	0.0118	0.0118	0.01167	0.01167	0.01167	0.01167
Orange County Fire Authority	0.1080	0.1080	0.1080	0.1080	0.1080	0.10821	0.10821	0.10821	0.10821
South Orange County Community College District	0.0850	0.0850	0.0850	0.0850	0.0850	0.08522	0.08522	0.08522	0.08522
Orange County General Fund	0.0310	0.0310	0.0310	0.0310	0.0310	0.03102	0.03102	0.03102	0.03102
Orange County Flood Control General Fund	0.0190	0.0190	0.0190	0.0190	0.0190	0.01904	0.01904	0.01904	0.01904
Los Alisos Water District General Fund	0.0170	0.0170	0.0170	0.0170	0.0170	0.01719	0.01719	0.01719	0.01719
Orange County Library District General Fund	0.0162	0.0162	0.0162	0.0162	0.0162	0.01605	0.01605	0.01605	0.01605
Orange County Department of Education	0.0158	0.0158	0.0158	0.0158	0.0158	0.01571	0.01571	0.01571	0.01571
Orange County Harbors, Beaches & Parks	0.0148	0.0148	0.0148	0.0148	0.0148	0.01472	0.01472	0.01472	0.01472
Orange County Transportation Authority	0.0028	0.0028	0.0028	0.0028	0.0028	0.00270	0.00270	0.00270	0.00270
Orange County Vector Control District	0.0011	0.0011	0.0011	0.0011	0.0011	0.00107	0.00107	0.00107	0.00107
Orange County Cemetery District	0.0005	0.0005	0.0005	0.0005	0.0005	0.00047	0.00047	0.00047	0.00047
Total Basic Levy	1.0000	1.0000	1.0000	1.0000	1.0000	1.00000	1.00000	1.00000	1.00000
<b>Additional Levies (Voter-Approved Rates)</b>									
Irvine Ranch Water District	0.00000	0.10851	0.05200	0.01501	0.00002	0.00002	0.01374	0.38974	0.14674
Los Alisos Water District (land value only)		0.05200	0.05200	0.01501					
Metropolitan Water District	0.00890	0.00670	0.00670	0.00610	0.00580	0.00520	0.00470	0.00430	0.00430
Orange County Improvement Bonds	0.00013								
Orange County Flood Control District	0.00068								
Saddleback Valley Unified School District Bond	0.01027					0.03079	0.03694	0.02668	0.02834
Tustin Union High School District	0.00003								
San Joaquin School District	0.00019								
Total Voter-Approved Levies	0.02020	0.16721	0.11070	0.03612	0.00582	0.03601	0.05538	0.42072	0.17938
Total Tax Rate	1.02020	1.16721	1.11070	1.03612	1.00582	1.03601	1.05538	1.42072	1.17938

Notes: There are 126 Tax Rate Areas (TRA) in Lake Forest. The above is for Tax Rate Area 30-015.

In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. The 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

Source: Orange County Assessor, HdL Coren & Cone

**CITY OF LAKE FOREST**  
Principal Property Tax Payers  
Current Year and Ten Years Ago

Taxpayer	2009		2000	
	Property Tax Revenue	Percent of Total Prop. Tax Revenue	Property Tax Revenue <sup>1</sup>	Percent of Total Prop. Tax Revenue <sup>1</sup>
Buchheim Properties	\$ 423,100	3.61%	\$ 36,219	0.69%
WALF LLC	329,757	2.81%		0.00%
Casa Pacifica	190,007	1.62%	52,395	0.99%
Reginald De La Cuesta	112,785	0.96%	71,992	1.36%
Kircher Family LP	74,566	0.64%		0.00%
Roberta J. Thompson Trust	70,912	0.60%		0.00%
Thomas R. and Donna Brown	65,519	0.56%		0.00%
El Toro Shopping Center LLC	61,180	0.52%		0.00%
Craig K. and M Ota Family Trust	58,532	0.50%		0.00%
Whisler Family LP	55,061	0.47%	19,706	0.37%
UDR Arboretum Apartments LP	52,234	0.45%		0.00%
Plaza El Toro Investors	50,410	0.43%	21,579	0.41%
Business Properties Partnership	50,294	0.43%	28,893	0.55%
Sonny Partners	50,188	0.43%	24,702	0.47%
Acquiport Three Corporation	46,614	0.40%	26,279	0.50%
Gladys E. Prothero Exempt Marital Trust	43,761	0.37%		0.00%
U S Reif Lake Forest	43,502	0.37%		0.00%
Walton CWCA Lake Forest	38,851	0.33%		0.00%
Deborah K. Lee Trust	34,797	0.30%		0.00%
El Toro Plaza LP	32,054	0.27%		0.00%
City Totals	<u>\$ 11,727,255</u>	<u>15.79%</u>	<u>\$ 5,280,732</u>	<u>5.34%</u>

<sup>1</sup> Information for certain taxpayers was not available from 2000.

Note: Total Property Tax Revenue excludes Vehicle License Fee Backfill amounts.

Source: HdL, Coren & Cone

**CITY OF LAKE FOREST**  
**Property Tax Levies and Collections**  
**Last Ten Fiscal Years**

Fiscal Year Ended June 30	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of Levy		Collections in Subsequent Years *	Total Collections to Date	
		Amount	Percent of Levy		Amount	Percent of Levy
2000	\$ 4,014,872	\$3,936,625	98.05%	\$ 64,884	\$4,001,509	99.67%
2001	4,392,439	4,316,739	98.28%	68,589	4,385,328	99.84%
2002	4,901,187	4,865,130	99.26%	78,732	4,943,862	100.87%
2003	5,187,059	5,160,599	99.49%	86,813	5,247,412	101.16%
2004	5,615,478	5,599,870	99.72%	78,476	5,678,346	101.12%
2005	5,324,170	5,306,311	99.66%	80,066	5,386,377	101.17%
2006	5,742,610	5,633,470	98.10%	98,418	5,731,888	99.81%
2007	6,972,404	6,770,088	97.10%	174,216	6,944,304	99.60%
2008	7,536,302	7,394,750	98.12%	337,149	7,731,899	102.60%
2009	7,423,259	7,421,800	99.98%		7,421,800	99.98%

\* These amounts consist of "prior year" taxes (including penalties and interest) remitted in the subsequent fiscal year; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years.

Source: Orange County Auditor Controller's Office

**CITY OF LAKE FOREST**  
Ratios of Outstanding Debt by Type  
Last Ten Fiscal Years

Fiscal Year Ended June 30	Certificates of Participation	Total Governmental Activities	Total Primary Government	Percentage of Total Assessed Valuation	Percentage of Personal Income	Debt Per Capita
2000				0.00%	0.00%	
2001				0.00%	0.00%	
2002				0.00%	0.00%	
2003				0.00%	0.00%	
2004	\$9,505,000	\$9,505,000	\$9,505,000	0.12%	7.56%	\$121
2005	9,370,000	9,370,000	9,370,000	0.11%	7.04%	120
2006	9,175,000	9,175,000	9,175,000	0.10%	6.37%	117
2007	8,970,000	8,970,000	8,970,000	0.09%	5.97%	114
2008	8,760,000	8,760,000	8,760,000	0.08%	*	112
2009	8,545,000	8,545,000	8,545,000	0.08%	*	109

\* Data is unavailable

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Source: City Finance Department

**CITY OF LAKE FOREST**  
Schedule of Direct and Overlapping Bonded Debt  
June 30, 2009

	Total Debt 6/30/2009	% Applicable	City's Share of Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 293,425,000	0.574%	\$1,684,260
Saddleback Valley Unified School District	140,200,000	35.110%	49,224,220
<b>City of Lake Forest</b>	<b>0</b>	<b>100%</b>	<b>0</b>
Irvine Ranch Water District I.D. No. 135	4,985,802	100%	4,985,802
Irvine Ranch Water District I.D. No. 182	4,856,290	100%	4,856,290
Irvine Ranch Water District I.D. No. 186	3,334,260	100%	3,334,260
Irvine Ranch Water District I.D. No. 188	1,443,300	100%	1,443,300
Irvine Ranch Water District I.D. No. 235	2,998,707	100%	2,998,707
Irvine Ranch Water District I.D. No. 282	2,875,000	100%	2,875,000
Irvine Ranch Water District I.D. No. 284	5,495,000	100%	5,495,000
Santa Margarita Water District I.D. No. 1	850,000	0.004%	34
Trabuco Canyon Community Facilities Water District No. 2	4,120,000	100%	4,120,000
Orange County Community Facilities 87-1	3,497,366	100%	3,497,366
Orange County Community Facilities 87-2	11,948,579	100%	11,948,579
Orange County Community Facilities 87-4	55,931,062	100%	55,931,062
Orange County Community Facilities 87-6	4,900,000	100%	4,900,000
Orange County Community Facilities 87-7	9,150,000	100%	9,150,000
Orange County Community Facilities 87-9	3,360,000	100%	3,360,000
Saddleback Valley Unified School District Facilities District No. 86-1	2,115,000	100%	2,115,000
<b>TOTAL DIRECT &amp; OVERLAPPING TAX &amp; ASSESSMENT DEBT</b>			<b>\$171,918,880</b>
<b>Overlapping General Fund Obligation Debt:</b>			
Orange County General Fund Obligations	\$462,152,000	2.791%	\$12,898,662
Orange County Pension Obligation	69,713,001	2.791%	1,945,690
Orange County Board of Education			
Certificates of Participation (COPS)	19,430,000	2.791%	542,291
Orange County Fire Authority Obligation	7,040,000	5.427%	382,061
Municipal Water District of Orange County Water Facilities Corporation	17,685,000	3.311%	585,550
<b>City of Lake Forest Certificates of Participation</b>	<b>8,545,000</b>	<b>100%</b>	<b>8,545,000</b>
South O. C. Saddleback Community College District (COPS)	32,875,000	6.480%	2,130,300
Irvine Ranch Water District (COPS)	103,100,000	13.204%	13,613,324
<b>TOTAL GROSS OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$40,642,878</b>
Less: MWDOC Water Facilities Corporation (100% self-supporting)			585,550
<b>City of Lake Forest Certificates of Participation (100% self-supporting)</b>			<b>8,545,000</b>
<b>TOTAL NET OVERLAPPING GENERAL FUND OBLIGATION DEBT</b>			<b>\$31,512,328</b>
<b>GROSS COMBINED TOTAL DEBT (1)</b>			<b>\$212,561,758</b>
<b>NET COMBINED TOTAL DEBT</b>			<b>\$203,431,208</b>

(1) Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

**CITY OF LAKE FOREST**  
Schedule of Direct and Overlapping Bonded Debt  
June 30, 2009

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Ratios to 2008-09 Assessed Valuation:

2008-09 Assessed Valuation	\$11,189,196,810
Redevelopment Incremental Valuation	602,737,760
Adjusted Assessed Valuation	<u>\$10,586,459,050</u>

**Direct Debt** **0.00%**

Total Direct Debt and Overlapping and Assessment Debt 1.54%

Ratios to Adjusted Assessed Valuation:

**Gross Combined Direct Debt (\$8,545,000)** **0.08%**

**Net Combined Total Debt (\$0)** **0.00%**

Gross Combined Total Debt 2.01%

Net Combined Total Debt 1.92%

State School Building Aid Repayable as of 6/30/09: \$0

Source: California Municipal Statistics, Inc.

**Notes:**

For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using taxable assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the city's boundaries and dividing it by each unit's total taxable assessed value.

Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of the City. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

**CITY OF LAKE FOREST**  
**Legal Debt Margin Information**  
**Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Total Assessed Value of all Real and Personal Property</u>	<u>Debt Limit Percentage</u>	<u>Debt Limit</u>	<u>Amount of Debt Applicable to Debt Limit</u>	<u>Legal Debt Margin</u>
2000	\$ 4,384,494,898	15%	\$ 657,674,235	\$0	\$ 657,674,235
2001	4,916,215,984	15%	737,432,398	0	737,432,398
2002	6,914,121,486	15%	1,037,118,223	0	1,037,118,223
2003	7,434,939,657	15%	1,115,240,949	0	1,115,240,949
2004	7,986,021,059	15%	1,197,903,159	0	1,197,903,159
2005	8,553,392,946	15%	1,283,008,942	0	1,283,008,942
2006	9,258,891,763	15%	1,388,833,764	0	1,388,833,764
2007	10,155,956,671	15%	1,523,393,501	0	1,523,393,501
2008	10,894,702,550	15%	1,634,205,383	0	1,634,205,383
2009	11,182,546,534	15%	1,677,381,980	0	1,677,381,980

Source: City Finance Department

**CITY OF LAKE FOREST**  
Demographic and Economic Statistics  
Last Ten Calendar Years

<u>Calendar Year</u>	<u>Population (1)</u>	<u>Personal Income (in thousands) (2)</u>	<u>Per Capita Personal Income (2)</u>	<u>Unemployment Rate (3)</u>
2000	77,182	\$ 106,003,904	\$ 37,095	2.4%
2001	76,089	109,010,278	37,614	2.7%
2002	76,703	111,750,294	38,109	3.4%
2003	77,442	117,722,484	39,745	3.3%
2004	77,740	125,670,056	42,115	2.9%
2005	78,020	133,031,819	44,453	2.6%
2006	77,859	143,949,044	48,209	2.3%
2007	78,243	150,214,330	50,463	2.7%
2008	78,317	*	*	3.6%
2009	78,344	*	*	*

\* Data is unavailable

Sources: (1) State Department of Finance  
(2) Bureau of Economic Analysis (Orange County data)  
(3) Bureau of Labor Statistics (Lake Forest data)



**CITY OF LAKE FOREST**  
**Full-time and Part-time City Employees**  
**by Function**  
**Last Ten Fiscal Years**

<u>Function</u>	<u>Full-Time and Part-time Employees as of June 30</u>									
	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u> <sup>1</sup>	<u>2007</u> <sup>1</sup>	<u>2008</u> <sup>1</sup>	<u>2009</u> <sup>1</sup>
General government	15	17	25	28	57	59	43	26	28	31
Public works	8	9	11	13	14	14	14	14	14	14
Development services	13	17	14	14	15	17	14	14	17	17
Community services <sup>2</sup>								20	21	26
Police services									1	2
Total	<u>36</u>	<u>43</u>	<u>50</u>	<u>55</u>	<u>86</u>	<u>90</u>	<u>71</u>	<u>74</u>	<u>81</u>	<u>90</u>

<sup>1</sup> Part-time positions were converted to hours beginning in Fiscal Year 2005-06, thus, hours were converted to full-time equivalents after the conversion.

<sup>2</sup> Newly created department in Fiscal Year 2006-07

Source: City Finance Dept.

**CITY OF LAKE FOREST**  
Principal Employers  
Current Year and Nine Years Ago

Employer	2009		2001 <sup>2</sup>	
	Number of Employees <sup>1</sup>	Percent of Total Employment	Number of Employees	Percent of Total Employment
Western Digital Corporation	1,158	3.18%		
Apria Healthcare Group Inc.	500	1.37%		
Beech Street Corporation	350	0.96%		
Wonderware Corporation	300	0.82%		
Saddleback Valley Community College	250	0.69%		
Eventz Extraordinaire Inc.	250	0.69%		
Silicon Image Inc.	207	0.57%		
American Health Services	205	0.56%		
Casa Pacifica	200	0.55%		
Saddleback Valley School District	200	0.55%		
Home Depot USA Inc.	200	0.55%		
I-Flow Corporation	188	0.52%		
Comarco Wireless Tech Inc.	170	0.47%		
Total Employment	36,400 <sup>3</sup>			

Source: <sup>1</sup> Dun & Bradstreet (represents total employment of all employers located within City limits)

<sup>2</sup> Data is not available

<sup>3</sup> California Employment Development Department

## CITY OF LAKE FOREST

### Operating Indicators by Function

Last Four Fiscal Years <sup>1</sup>

	2006	2007	2008	2009
Police <sup>2</sup> :				
Arrests	858	1,050	954	723
Number of calls responded to	27,000	27,531	26,371	25,452
Public works:				
Street resurfacing (miles)	21	12	20	8
Parks and recreation:				
Number of recreation classes <sup>3</sup>	75	104	225	522
Number of facility rentals	10	4	11	63

<sup>1</sup> Data prior to Fiscal Year 2006 is not available.

<sup>2</sup> Police services are contracted through the County of Orange.

<sup>3</sup> The City contracts with the Saddleback Valley Unified School District for various recreation services; the number of classes shown above represents classes offered directly by the City.

Source: City of Lake Forest

# CITY OF LAKE FOREST

## Capital Asset Statistics by Function

Last Four Fiscal Years <sup>1</sup>

	2006	2007	2008	2009
Police:				
Stations	1	1	1	1
Public works:				
Streets (miles)	155	188	188	188
Traffic signals	86	92	93	94
Parks and recreation:				
Parks	21	21	27	27
Community centers	1	1	1	1

<sup>1</sup> Data prior to Fiscal Year 2006 is unavailable.

Source: City of Lake Forest